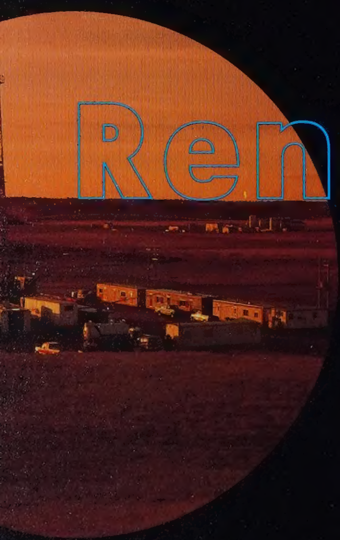
Renaissance Energy

1998 Annual Report

CONTENTS

Track Record	Page	1
To Our Shareholders	Page	2
Business Initiatives	Page	6
Review of Operations	Page	9
Reserves and Future Net Revenues	Page	10
Finding and Development Costs	Page	13
Regional Review	Page	15
Regional Analysis	Page	20
Marketing	Page	21
Financial Review		
Management's Discussion and Analysis of Financial Condition and Results of Operations	Page	22
Financial Reports	Page	32
Financial Statements	Page	34
Supplementary Financial Information	Page	47
Stewardship	Page	50
Corporate Governance	Page	50
Corporate Responsibility	Page	51
Common Share Trading	Page	53
Ten Year Summary	Page	54
Corporate Directory	Page	56



Renaissance Energy

ANNUAL GENERAL MEETING

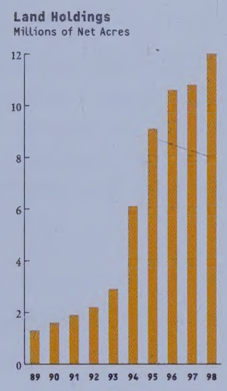
The Annual and Special Meeting of shareholders of Renaissance Energy Ltd. will be held at 2:30 p.m. (Calgary time) on May 12, 1999 in the Britannia Room of the Westin Hotel, 4th Avenue and 3rd Street S.W., Calgary, Alberta. Shareholders are encouraged to attend, and those unable to do so should complete the Form of Proxy and forward it at their earliest convenience.

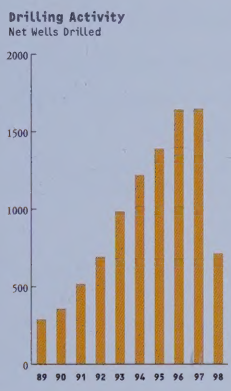
Copies of the Information Circular – Proxy Statement, the Annual Information Form and additional copies of this 1998 Annual Report may be obtained from the Secretary of the Company at Suite 3000, 425 First Street S.W., Calgary, Alberta, T2P 3L8; Telephone (403) 750-1400, Fascimile (403) 750-1368.

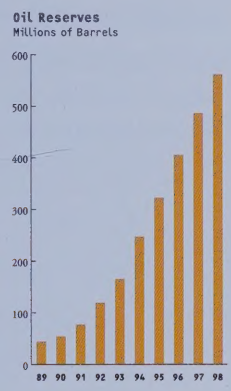
FUTURE PRESS RELEASE DATES

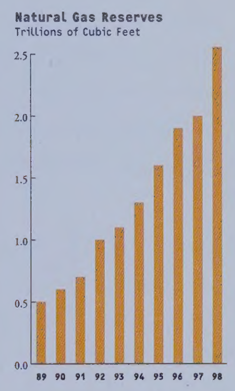
1999 First Quarter — May 12, 1999
1999 Second Quarter — August 10, 1999
1999 Third Quarter — November 8, 1999
1999 Fourth Quarter — February 25, 2000

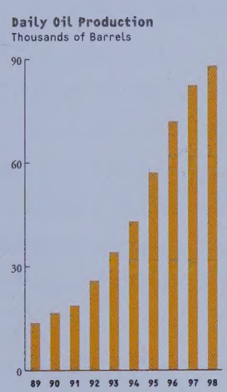
Track Record

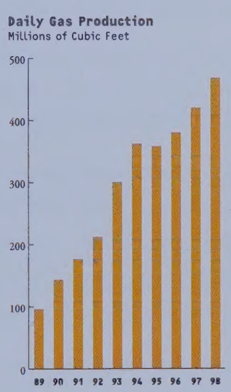


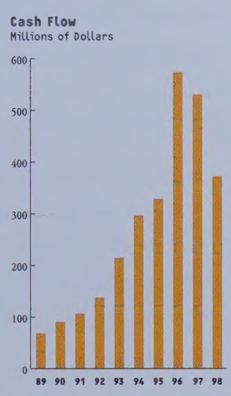


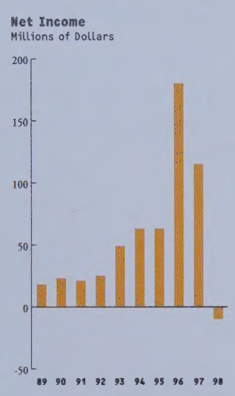






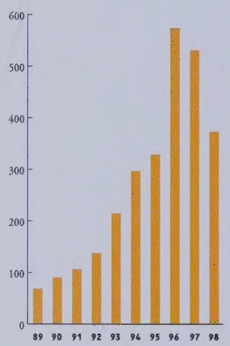




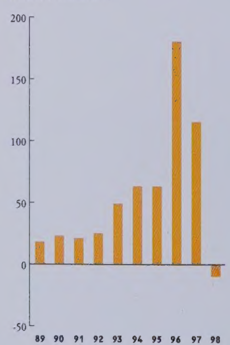


To Our Shareholders

Cash Flow
Millions of Dollars



Net Income
Millions of Dollars



The economic environment prevailing in 1998 presented us with many challenges! World oil prices, at their lowest levels in absolute dollar terms since the mid-1970's, are now in real dollar terms below those received before the first oil price shock of October 1973.

Renaissance was not immune to these forces and in fact, suffered more than most of our peers from the decline in oil prices. Due to our weighting towards oil, the collapse in oil prices severely impacted our financial performance in 1998:

- Revenues were reduced by $198 million; net of royalties, the impact on cash flow was $152 million.
- Cash flow declined 30 percent to $372 million.
- The deterioration in oil prices combined with reserve revisions due to economic cutoffs resulted in a loss of $10 million, the first loss in our sixteen year history.

As a public company, we have a very obvious report card. The trading price of our common shares has fallen from a high of $50.00 per share in January 1997 to a recent low of $12.50, a decline of 75%. While our financial results and share price underscore our vulnerability to commodity prices, they do not accurately reflect Renaissance's operational accomplishments in 1998 and our initiatives to restore profitable growth.

THE YEAR 1998 — IN PERSPECTIVE

Renaissance pursued a tightly focused capital investment program in 1998 resulting in additions to both our reserves and production volumes. Capital spending was curtailed in all traditional operating categories - land purchases, seismic programs, drilling, completions, equipping, pipelining, and facilities. Of our capital program of $1.6 billion, the most significant event was the acquisition in July of Pinnacle Resources Ltd. which accounted for two-thirds of the total.

The decision to undertake our first corporate acquisition was the culmination of events begun several years ago. Our reasons for entering into the Pinnacle acquisition included:

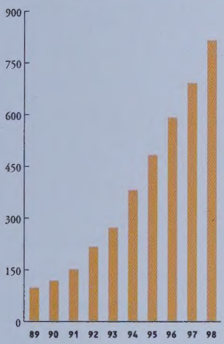
- The acquisition cost parameters were compelling.
- The operational synergies were readily apparent.
- Significant cost savings were realizable upon consolidation. On an annualized basis, we have achieved cost savings of approximately $50 million: $30 million on operating costs, $15 million on overhead, and $5 million on marketing activities.

We viewed the Pinnacle transaction as a very large property acquisition which, although much larger, was akin to many other acquisitions we had completed. The integration was accomplished very professionally in a remarkably brief time thanks to the hard work, commitment, and skills of the hundreds of employees involved.

Excluding revisions to opening reserve inventories, Renaissance added 230 mmboe of proven plus probable reserves at a finding and development cost of $6.85 per proven plus probable boe. The Pinnacle acquisition accounted for 65% of these volumes. Excluding the Pinnacle acquisition and revisions to opening inventory, capital expenditures of $524 million resulted in reserve additions of 81 mmboe at a cost of $6.51 per proven and probable boe.

Primarily as a result of the low oil price environment, we deferred most of our oil development drilling during the last half of 1998 and redirected funds to the acquisition of low cost oil properties. As a result, we drilled fewer wells in 1998 - 712 compared to 1,645 in 1997. The emphasis was on exploration versus development - a 2 to 1 ratio in 1998 versus a 1 to 1 ratio the prior year. While our natural gas drilling declined 22 percent, oil drilling dropped precipitously with only 184 oil wells cased, down 77 percent from 1997 levels.

Total Reserves
Millions of BOE – Proven + Probable

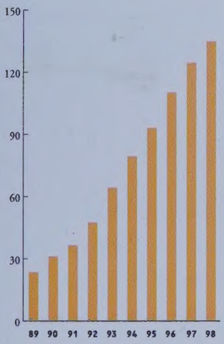


Production of both oil and natural gas increased in 1998 despite the lower drilling activity as the Pinnacle acquisition augmented our production base significantly over the last half of the year. These increases were partially offset by normal reservoir decline rates which averaged 15-25 percent. The net effect was a 7 percent increase in daily oil production to 87,891 barrels per day while natural gas output rose 11 percent to 468 million cubic feet a day.

On the commodity price front, oil prices were off 33 percent in 1998, almost halving our netbacks to $6.46 per barrel. Natural gas prices remained strong in 1998. Renaissance's average gas price was $2.19 per thousand cubic feet for the year, on par with 1997. Netbacks were flat at $1.57 per thousand cubic feet.

The effect of higher production volumes was more than offset by the decline in oil prices, resulting in a 30 percent decline in cash flow to $372 million. Higher depletion charges, due to increased volumes and the impact of negative reserve revisions, caused earnings to evaporate and produced a loss of $10 million.

Average Daily Production
Thousands of BOE (10:1)



THE CURRENT ENVIRONMENT

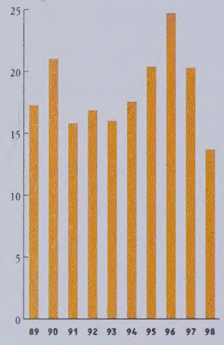
In our annual report two years ago, we wrote: *"The competitive environment within our sector in late 1996 and early 1997 can only be described as overheated. The inherent entrepreneurial nature of industry players was fueled by the highest oil and natural gas prices in a decade and the ready availability of capital."*

What is different about the industry environment in early 1999? The obvious answer is — everything. Certainly the competitive environment is subdued and commodity prices are far from their highs. In fact, oil prices have reached a 25 year low. The investment community has voted and driven down the TSE producers' index by half and virtually cut off access to additional equity capital. The combination of sharply reduced cash flows and restricted access to new equity has been compounded by the escalation in outstanding debt to levels that are uncomfortable for most industry participants.

Regardless of these changes, one facet of our business - industry reaction to commodity price swings - remains immutable. In the same 1996 annual report quoted from earlier, we stated: *"Renaissance believes that both oil and natural gas prices will provide reasonable economic returns over the long-term cycle of our business. The penchant of our industry for short-term reactions to commodity price realizations continues to provide many opportunities for acquiring unexplored lands and underperforming properties at low cost."* We believe that more value is created in this part of the business cycle than during those conditions that existed two years ago.

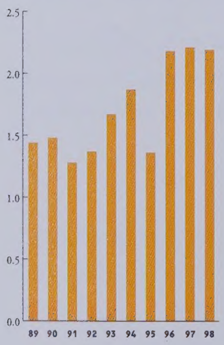
The protracted weakness in oil prices has been more severe and lasted longer than most market observers anticipated. The softening in demand occasioned by the Asian economic crisis coincided with the sharp increase in supply resulting from the OPEC cartel's production increases in late 1997 and the return of substantial Iraqi crude oil volumes to the market. The result has been a glut of world oil inventories for a prolonged period, maintaining downward pressure on oil prices.

Average Oil Prices
Dollars per Barrel



The low oil price environment has forced companies to live within their means after many years spending multiples of annual cash flow to vigorously build volumes. Production volumes have responded quickly — non-OPEC oil production has declined, with Western Canadian volumes down by 250,000 barrels per day and volumes in the United States off by 400,000 barrels per day. This supply reduction, combined with incremental oil refining capacity in the northern United States, has recently resulted in a significant price improvement for Western Canadian medium oil producers. While the benchmark WTI light crude oil price has recovered only modestly, the differential to the Bow River medium posting at Hardisty has fallen dramatically from approximately US$5.50 per barrel a year ago to a current level of approximately US$1.75. Netbacks are approaching levels that justify incremental investments which would at least halt the erosion in productivity. A clear signal that the WTI benchmark will further improve on a sustained basis will confirm these investment decisions.

Average Natural Gas Prices
Dollars per Thousand Cubic Feet



On a more positive note, the natural gas pricing environment remains favourable despite some weakness occasioned by yet another mild North American winter. The recent addition of incremental ex-Alberta pipeline capacity has been particularly beneficial for Canadian spot prices. The discount from U.S. prices attributed to "trapped gas" in Alberta has been eliminated with these pipeline expansions.

Over the last five years, our industry has significantly reduced natural gas reserve-to-production ratios. Now the focus must be on finding new reserves. Current price expectations provide sufficient incentive to justify the necessary investments to realize this objective. However, the realities of natural gas operations dictate there will be a considerable time lag before these investments translate into incremental production volumes.

THE FUTURE — EXPECTATIONS OF RENAISSANCE

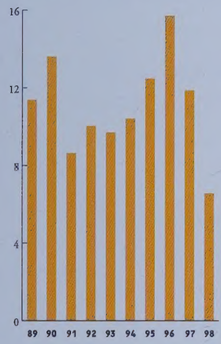
Significant quantities of oil and natural gas, both conventional and non-conventional, remain to be recovered in the Western Canadian Sedimentary Basin. These opportunities must be pursued at the appropriate pace of capital investment. Companies that can overcome the short-term challenges in our industry will produce these resources as assets and capital will continue to flow into the hands of the most efficient operators. Renaissance will be one of these operators.

Our business plan, which has served us well in the past, has been modified and updated to focus on diversifying our portfolio of opportunities and improving our profitability. The business initiatives we are following are set out in greater detail in the next section of this report.

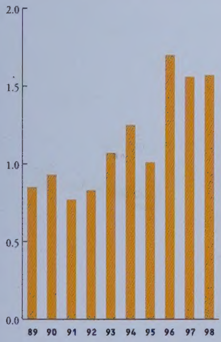
It is vital to ensure we have the appropriate corporate structure and culture to maximize the benefits from the opportunities available to us. Accordingly, we reorganized our company into six operating districts in the fall of 1998. This move was made both to better manage our extensive asset base and to enhance the

entrepreneurial attitude of our employees. The operating districts have proved highly advantageous in terms of improving communication, accountability and responsibility within the company, as well as lowering costs. This structure provides the flexibility of a smaller company in making capital investment decisions as well as the efficiencies of a larger organization in executing them.

Oil Netbacks
Dollars per Barrel



Natural Gas Netbacks
Dollars per Thousand Cubic Feet



Renaissance continues to look critically at capital expenditures. We will invest considerable intellectual capital before we follow with financial capital. It is vital that every dollar is spent in achieving maximum value. In order to exploit our asset base most effectively, we are scrutinizing all of our capital projects. We are looking beyond the current industry malaise to chart a plan for the next two to three years, not the next two to three quarters.

We will maintain 1999 capital expenditures within cash flow. Given today's pricing environment, capital spending, net of proceeds from property dispositions, will therefore approximate $450 million. This is a considerable investment and does not represent a funding constraint in carrying out our business plan. We are concentrating on natural gas activities in early 1999, particularly bringing additional volumes on stream. Our oil efforts will be primarily focused on exploration and property acquisitions with development activities curtailed until we experience a sustained price recovery. Due to the dramatic contraction in the light/medium crude oil differential, our oil netback is currently higher than it was one year ago. We are now approaching price levels which will cause us to accelerate our oil development activities after spring break up.

Rigorous reviews of our expenditures and costs will be the order of the day for 1999 and beyond in order to efficiently grow volumes. Renaissance has set a target of reducing all costs by 10% within the year. We firmly believe that lower service sector costs, less competition, improved processes, and greater efficiencies will enable us to reach this objective.

Our capital structure is strong — 65 percent equity and 35 percent debt. While our debt-to-cash flow ratio, 3.6 times based on annualized 1998 fourth quarter cash flow, is higher than we would prefer, it does not present any credit issues. Our credit facilities have been established on a conservative basis and we readily meet all balance sheet and income statement covenants. As oil prices rebound, the debt-to-cash flow ratio will improve dramatically.

The negative sentiment prevalent in our sector is typical of the low end of the recurring industry price cycle. We believe that an improvement in commodity prices, particularly for oil, is to be expected given supply and demand fundamentals. We also believe we are making appropriate decisions and taking appropriate actions to assure our future profitability. It is an exciting time to be in this industry — we truly believe that more value is generated through this part of our business cycle than at any other time.

Clayton H. Woitas,
President
and Chief Executive Officer

Sheldon B. Steeves,
Executive Vice President
and Chief Operating Officer

Calgary, Alberta
March 22, 1999

Business Initiatives

EXPLORATION AND DEVELOPMENT

- We continue to seek areas which have significant long-term profitable growth opportunities. We will pursue the most advantageous oil and natural gas drilling opportunities and high-grade our existing asset base, identifying the most favorable opportunities to pursue.
- We will pursue exploration opportunities that have longer lead times in areas of the Western Canadian Sedimentary Basin where we are not currently active. Although we continue to see good opportunities in the Plains area, we have already moved "west" and are one of the largest landholders in the deeper parts of the basin.
- We are evaluating frontier regions in our search for new natural gas plays, including northern British Columbia and the largely unexplored North West Territories, where close to half of the WCSB is located. Both of these areas hold immense opportunities as well as many challenges. This project is in the preliminary stage and we have allocated both manpower and limited capital resources to evaluate this opportunity.

NON-TRADITIONAL OPPORTUNITIES

- We have successfully developed previously overlooked shallow gas reserves in a number of our traditional oil areas.
- We are pursuing mid-stream opportunities as an integral part of our business.
- We have formed a heavy oil group which spent the last year researching the resource and identifying technologies to recover it cost effectively. Alberta's heavy oil resources rival Saudi Arabia and Venezuela in size. While these reserves are presently produced conventionally, there is room for improvement in recovery and costs.
- We are evaluating the potential of coal bed methane gas. Although Canada does not currently produce any such gas, the resource base in Alberta alone is in the order of several hundred trillion cubic feet. The challenge is to recover it economically. This is a long-term initiative with tremendous potential.

COST EFFICIENCIES

- We will redouble our efforts to lower our costs. Low costs are key to profitability and are one of the components we have under our control. Controlling costs is crucial in today's low oil price environment and will continue to be just as important when oil prices rebound. Lower costs are not only about spending fewer dollars but also investing our money wisely.
- We are re-evaluating our decision making processes, data collection, and measurement standards to ensure we are successful in meeting our objectives.
- We encourage innovation and seek new technologies to lower our costs.

TECHNOLOGICAL INNOVATIONS

- We have always viewed technological innovation as key to profitability in our business. As we moderated the pace of our capital program, we provided our people with more time to investigate and develop new technologies and are currently evaluating the following innovations:
  - STRESS FIELD DETECTOR — This is a tool that promises to speed up and lower the cost of finding large subsurface structural features.
  - SMALL SCALE HEAVY OIL UPGRADERS — We expect that such upgraders will increase the economic recovery of the vast heavy oil resources in the WCSB.
  - ELECTRIC POWER GENERATION — We have invested in equipment to position ourselves for the deregulation of power generation in Alberta in April 1999.
  - ENHANCED RECOVERY — We are evaluating and testing methods to increase the ultimate recovery of oil in the WCSB from conventional reservoirs from current forecasts of 30% to 40 – 60% of the oil in place.

These are only a few of the initiatives we currently have underway. As with all new technological innovations, some may not be successful. Our experience has been that those ideas that do not work often lead us to new processes worthy of pursuit.

PROPERTY ACQUISITIONS/DISPOSITIONS

- We have historically acquired properties which provided us with a foothold in new areas and the means to realize economies in existing areas. Our program includes both large and small property transactions.
- We pursue acquisitions in a counter-cyclical fashion, identifying opportunities within our operating districts rather than solely reacting to publicly advertised properties.
- We realize that our corporate health requires us to be good sellers as well as good acquirers. We will continue to monitor the opportunities to sell more mature oil or natural gas properties at the appropriate time in the business cycle.
- We continue to evaluate corporate acquisition opportunities. The recent mergers of several large multinationals have prompted them to reconsider where Canada fits into their portfolios. We are examining innovative structures which will allow us to gain access to their asset base which covers a substantial portion of the WCSB.

INTERNATIONAL VENTURES

- We have developed considerable expertise in Western Canada over the last 16 years and are now evaluating other arenas where we can utilize our skills and add value.
- We have focused on understanding the requirements for success internationally. Economic success is much harder to achieve internationally than technical success. Social, political and financial regimes are key and must be fully understood.
- We will proceed slowly and cautiously in developing this initiative before any significant capital is committed.

Renaissance conducts its operations exclusively in the Western Canadian Sedimentary Basin, which covers more than 500,000 square miles and provides significant exploration potential in both known productive shallow horizons and largely unexplored deeper horizons.

Innovations

Renaissance Energy

New initiatives

Renaissance Energy Western Canadian Land Holdings showing Operating Districts

The Alberta and Saskatchewan governments own approximately 80% of the mineral rights, with the remaining 20% being held by freehold owners. Substantial mineral rights remain to be leased and evaluated. This land tenure system permits the acquisition of large tracts at relatively low cost.

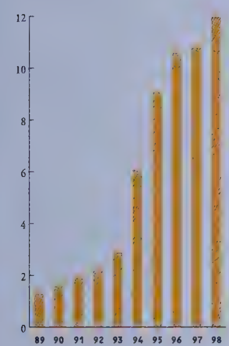
The economic rents charged through the royalty system and indirect taxes in both Alberta and Saskatchewan are amongst the lowest in the world. Canada's proximity to the United States assures a ready market for its production.

Review of Operations

UNDEVELOPED LAND

Renaissance follows a counter-cyclical approach to asset acquisition as our industry tends to react to short-term commodity price fluctuations in its investment programs. We therefore concentrate on the inexpensive opportunities within the basin and avoid those areas where competition is overheated. By assembling large tracts of contiguous land at low relative cost, Renaissance minimizes the effects of competition with ensuing exploration success.

Land Holdings
Millions of Net Acres



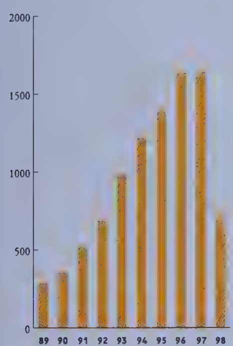
In 1998, the Canadian energy sector spent $748 million at Crown lease sales, a 50% decrease from the record levels of 1997. Renaissance accounted for 4%, or $33 million, of the total spent while acquiring 6% of all the acreage purchased.

Net Undeveloped Land Holdings (thousands of acres)

Year ended December 31	**1998**	1997	1996
Alberta	**7,163**	6,966	6,963
Saskatchewan	**4,653**	3,630	3,539
Manitoba	**165**	163	61
Total	**11,981**	10,759	10,563
Average working interest	**96%**	98%	98%
Average Renaissance cost per acre of Crown land purchased during the year	**$ 58.93**	$ 58.45	$ 40.19
Average industry cost per acre of Crown land purchased during the year	**$ 77.49**	$ 88.64	$ 65.45

Renaissance's inventory of undeveloped land increased 11% during 1998 through the Pinnacle acquisition as well as consolidating existing interests and establishing adjacent positions in core areas.

Drilling Activity
Net Wells Drilled



DRILLING

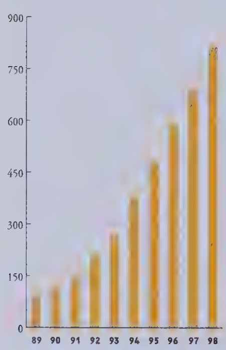
Renaissance relies extensively on experience and the use of seismic to assist in land purchases and the selection of drilling locations. Our active drilling program provides a continual report card on our asset base.

In 1998, the collapse of world oil prices caused a sharp reduction in Canadian energy industry spending on seismic, drilling, and related services. All elements of the service sector were negatively impacted, resulting in lower costs by the end of 1998 offsetting the escalation in the overheated 1996–97 period.

Net Wells Drilled

Year Ended December 31	**1998**	1997	1996
Oil	**184**	788	690
Natural gas	**302**	385	399
Dry	**226**	472	551
Total	**712**	1,645	1,640
Exploratory	**462**	906	895
Development	**250**	739	745
Alberta	**546**	1,265	1,378
Saskatchewan	**163**	363	262
Manitoba	**3**	17	–
Average working interest	**96%**	97%	97%

RESERVES AND FUTURE NET REVENUES



Renaissance's reserves of oil (inclusive of natural gas liquids) and natural gas have been reported as at December 31, 1998 by Sproule Associates Limited ("Sproule") in a report dated February 16, 1999. Sproule evaluated in detail 59% of our oil reserves and 54% of our natural gas reserves with a focus on the Pinnacle properties and those areas in which significant capital was expended. Renaissance engineers evaluated in detail the balance of the reserves.

The Audit Committee of Renaissance's Board of Directors conducted a full due diligence review of the reservoir engineering report with both Sproule and the responsible senior Renaissance engineers. The 1998 report marked the third year such a process has been undertaken.

The following pages summarize the report and the Sproule reports of previous years.

Summary

	Reserves		**Discounted Value of Estimated Future Net Revenues** *(millions)*		
	Oil (mmbls)	Natural Gas (bcf)	0%	10%	15%
Proven producing	255	983	$ 4,296	$ 2,587	$ 2,177
Proven non-producing	171	1,214	3,504	1,737	1,326
Total proven	426	2,197	7,800	4,324	3,503
Probable	135	338	1,141	499	376
December 31, 1998	**561**	**2,535**	**$ 8,941**	**$ 4,823**	**$ 3,879**
December 31, 1997	486	2,041	$ 9,125	$ 4,928	$ 3,969
December 31, 1996	405	1,851	$ 8,862	$ 5,052	$ 4,124

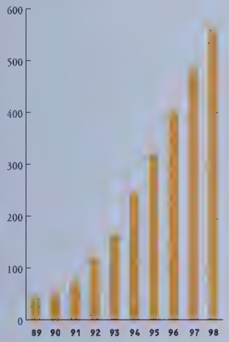
Reserve volumes are before the deduction of royalty interests. Probable reserve values were reduced by 50% to allow for risk; probable reserve volumes were not reduced. The evaluations of future net production revenues are stated net of royalties, operating costs and future development costs and prior to any provision for income taxes, overhead and interest costs. It should not be assumed that the discounted value of estimated future net production revenues is representative of the fair market value of the estimated oil and natural gas reserves.

Price Forecasts

The estimate of future net production revenues at December 31, 1998 is based upon the following price forecast utilized by Sproule in its report:

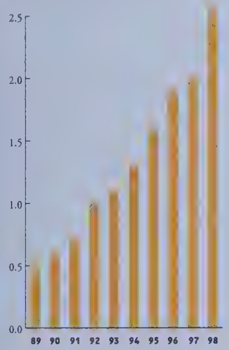
	Oil		Natural Gas		
	WTI at Cushing Oklahoma $ US/bbl	Light Crude at Edmonton $ Cdn/bbl	At Henry Hub Louisiana $ US/mcf	Alberta Reference Price Plant Gate $ Cdn/mcf	Exchange Rate $US/$Cdn
1999	$ 14.50	$ 21.07	$ 2.10	$ 2.20	$ 0.66
2000	$ 16.32	$ 22.82	$ 2.14	$ 2.19	$ 0.68
2001	$ 18.21	$ 24.44	$ 2.24	$ 2.24	$ 0.71
2002	$ 20.16	$ 26.40	$ 2.33	$ 2.31	$ 0.73
2003	$ 20.57	$ 26.94	$ 2.41	$ 2.40	$ 0.73
Thereafter	approximately 2%/year				$ 0.73

Oil Reserves
Millions of Barrels



The oil price forecast is based upon the benchmark price of West Texas Intermediate crude oil delivered at Cushing, Oklahoma. This forecast is adjusted for transportation and quality differentials to reflect Edmonton refinery postings for 40°API and 0.4% sulphur content crude oil. The natural gas price forecast is based upon the benchmark price for deliveries at Henry Hub, Louisiana and the Alberta Gas Reference Price at Plant Gate.

Natural Gas Reserves
Trillions of Cubic Feet



The foregoing benchmark prices have been adjusted to recognize the quality, contractual, and transportation rights specific to Renaissance in calculating the estimate of future net revenues.

Future net production revenues at December 31, 1997 and 1996 were based upon separate price forecasts utilized by Sproule in their reports for the respective years.

Analysis of Reserves

Oil Reserves *(before royalties) (millions of barrels)*

December 31	**1998**	1997	1996
Proven producing	**255**	206	160
Proven non-producing	**171**	166	143
Probable	**135**	114	102
Total	**561**	486	405
Reserve life index (years)*	**15.7**	15.5	13.3

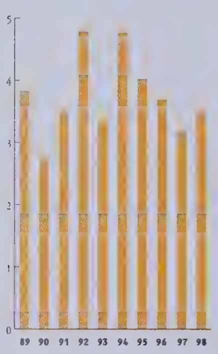
* *based upon annualized fourth quarter production for each year*

Natural Gas Reserves *(before royalties) (billions of cubic feet)*

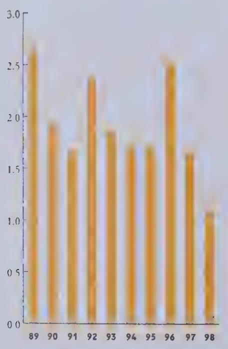
December 31	**1998**	1997	1996
Proven producing	**983**	725	629
Proven non-producing	**1,214**	1,071	875
Probable	**338**	245	347
Total	**2,535**	2,041	1,851
Reserve life index (years) *	**14.3**	13.4	14.1

* *based upon annualized fourth quarter production for each year*

Production Replacement
P + P after Revisions – Times



Recycle Ratio
Times



Reserve Reconciliation

	Oil *(mmbls)*			Natural Gas *(bcf)*		
	Proven	Probable	Total	Proven	Probable	Total
December 31, 1995, reported	252	70	322	1,340	257	1,597
Revisions of prior estimates	–	1	1	(96)	(31)	(127)
December 31, 1995, revised	252	71	323	1,244	226	1,470
Discoveries & extensions	56	18	74	390	116	506
Purchases	21	13	34	9	5	14
Production	(26)	–	(26)	(139)	–	(139)
December 31, 1996, reported	303	102	405	1,504	347	1,851
Revisions of prior estimates	21	–	21	104	(200)	(96)
December 31, 1996, revised	324	102	426	1,608	147	1,755
Discoveries & extensions	66	8	74	311	93	404
Purchases	12	4	16	30	5	35
Production	(30)	–	(30)	(153)	–	(153)
December 31, 1997, reported	372	114	486	1,796	245	2,041
Revisions of prior estimates	(30)	(16)	(46)	(82)	(18)	(100)
December 31, 1997, revised	342	98	440	1,714	227	1,941
Discoveries & extensions	24	2	26	287	29	316
Purchases – Pinnacle Resources	77	31	108	346	64	410
– Other	15	4	19	21	18	39
Production	(32)	–	(32)	(171)	–	(171)
December 31, 1998	**426**	**135**	**561**	**2,197**	**338**	**2,535**

The prior estimates of Renaissance's December 31, 1997 proven and probable reserves were reduced by 56 mmboe, representing a 9% revision of oil reserves and 5% for natural gas. The oil price decline triggered economic cutoff limits and accounted for the majority of the oil revisions. Although we have removed these reserves from our asset base, some will become economic when oil prices rebound without any increase in capital expenditures. Natural gas revisions were due to reservoir performance.

The reserve additions of 149 proven and probable mmboe attributed to the Pinnacle acquisition are net of the reductions to those publicly disclosed by Pinnacle last year, adjusted for first half production. The reductions — 5% on oil and 23% on natural gas — in proven and probable reserves resulted from a combination of reservoir performance, oil price economic limits, and more conservative reserve evaluation practices.

We added 153 million barrels of oil to our proven and probable reserve base, before revisions, replacing production by almost five times. Approximately 83% of the additions resulted from the Pinnacle and other property acquisitions while ongoing exploration and exploitation efforts accounted for the balance of the incremental oil reserves.

On the natural gas front, Renaissance added 765 billion cubic feet of proven and probable reserves, before revisions, also replacing the year's production by almost five times. The Pinnacle acquisition, along with other minor acquisitions, accounted for 59% of the additions while our exploration and development program accounted for 41%.

FINDING AND DEVELOPMENT COSTS

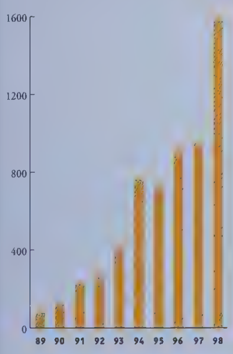
Low finding and development costs are key to ensuring our profitability. Having already accumulated a large and highly prospective asset base to protect ourselves from higher land prices, we continued in 1998 with the significant shift in our capital allocation priorities that we started in 1997. The Pinnacle acquisition augmented our core regions, allowing us to improve efficiencies. The remaining portion of our capital program was focused on reserve and production growth.

Capital Expenditures

Capital expenditures in 1998 concentrated on:

- the acquisition of Pinnacle, which provided an excellent opportunity to augment and consolidate our interests in core areas;
- the evaluation of the potential of new regions in which we had established a presence over the last few years and to develop existing reserves of crude oil and natural gas to increase production volumes;
- installing extensive pipeline and production facility infrastructure in the Northeast, Northwest and Central operating districts to facilitate more timely tie-ins during the winter drilling season; and
- installing facilities in other regions to increase production volumes and minimize operating costs.

Capital Expenditures
Millions of Dollars



Capital Expenditures (millions)

Year ended December 31		**1998**		1997		1996
Finding and development costs						
Property acquisitions, net	**$**	**68**	$	125	$	109
Lease acquisitions and retentions		**53**		66		107
Seismic evaluations		**45**		65		86
Drilling and completion of wells		**229**		448		372
Equipping, pipelining and facilities		**124**		231		222
Site restoration expenditures		**5**		7		8
		524		942		904
Pinnacle acquisition		**1,049**		–		–
Total finding and development costs		**1,573**		942		904
Head office expenditures		**4**		7		9
Total expenditures	**$**	**1,577**	$	949	$	913

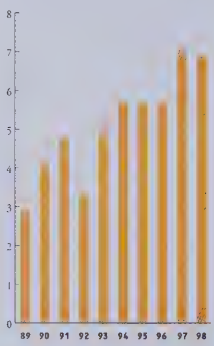
Annual Finding and Development Costs

The following table presents the calculations of our annual finding and development costs. These calculations are based upon actual costs incurred and do not recognize the future development costs associated with bringing proven non-producing and probable reserves on-stream. Conversely, these calculations include the acquisition costs of our considerable land inventory to which reserves have not been attributed.

Annual Finding and Development Costs *(Excluding reserve revisions)*

Year ended December 31	**1998**	1997	1996
Total capitalized costs *(millions)*	**$ 1,573**	$ 942	$ 904
Proven reserve additions *(mmboe)*	**181**	112	117
Average cost per boe	**$ 8.67**	$ 8.40	$ 7.73
Proven and 50% of probable reserve additions *(mmboe)*	**205**	123	138
Average cost per boe	**$ 7.66**	$ 7.66	$ 6.53
Proven and probable reserve additions *(mmboe)*	**230**	134	160
Average cost per boe	**$ 6.85**	$ 7.04	$ 5.65

Finding & Development Costs
Dollars per BOE — P + P



Excluding revisions to opening reserve inventories, Renaissance added 230 mmboe of proven plus probable reserves at a finding and development cost of $6.85 per proven plus probable boe. The Pinnacle acquisition accounted for 65% of these volumes. Excluding the Pinnacle acquisition and revisions to opening inventory, capital expenditures of $524 million resulted in reserve additions of 81 mmboe at a cost of $6.51 per proven and probable boe.

Cumulative Finding and Development Costs

In calculating finding and development costs, there are a number of inconsistencies between periods, resulting from the timing of expenditures and recognition of reserves. Accordingly, we have calculated costs and reserve additions over the preceding three and five year periods as follows:

Cumulative Finding and Development Costs *(Including reserve revisions)*

	1996 – 1998	1994 – 1998
Total capitalized costs *(millions)*	$ 3,421	$ 4,895
Proven reserve additions *(mmboe)*	395	612
Average cost per boe	$ 8.67	$ 8.00
Proven and 50% of probable reserve additions *(mmboe)*	431	676
Average cost per boe	$ 7.94	$ 7.24
Proven and probable reserve additions *(mmboe)*	467	741
Average cost per boe	$ 7.32	$ 6.60

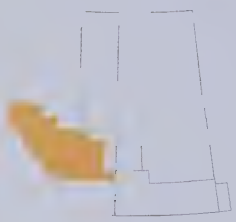
REGIONAL REVIEW

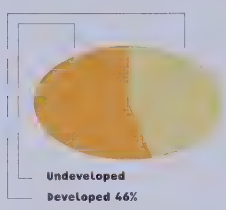
Renaissance's inventory of undeveloped land is concentrated in six operating regions in the Western Canadian Sedimentary Basin, each with a balanced portfolio of short and long-term reserves and production growth potential. These six operating districts were formed in the fall of 1998, following the Pinnacle acquisition, in order to better manage our extensive asset base and maintain an entrepreneurial spirit amongst our employees.

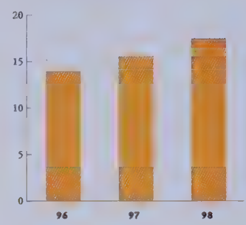
Each region is comprised of a team of engineers, geologists, geophysicists, support staff and field personnel. This has resulted in a shift within Renaissance to a geographical structure, with each district group acting independently and able to access critical departments such as land, drilling and completions and technical services. This structure provides the flexibility of a smaller company in making capital investment decisions as well as the efficiencies of a larger organization in executing them.

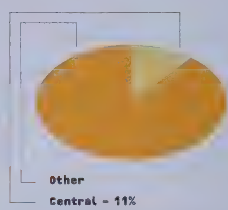
OPERATING DISTRICTS

Central Alberta



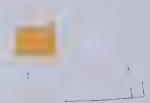


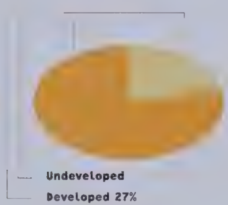


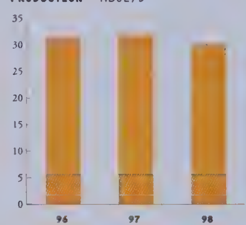


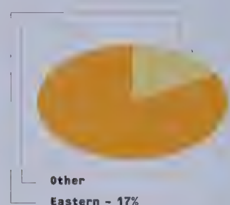
- The 1998 drilling program included 51 exploratory wells and 23 development wells, resulting in 55 completions. Several new exploration initiatives in the deeper portion of the Central region will provide exciting targets to drill in 1999.
- Production volumes were 17,446 boe/d in 1998, up from 15,592 boe/d in 1997.
- Two significant natural gas acquisitions were concluded with considerable development drilling upside and exploration potential.
- Both our Ansell and McLeod projects are benefiting from significant cost reductions. Recent drilling results in these deeper projects have been encouraging.
- We completed an acquisition at Sylvan Lake which included 2.2 mmcf/d of liquids rich natural gas production and a fractionation facility. The area has traditionally yielded excellent drilling results with industry leading finding and on stream costs.

Eastern Alberta







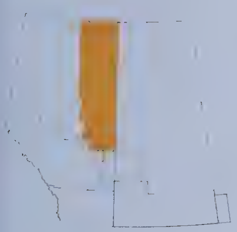


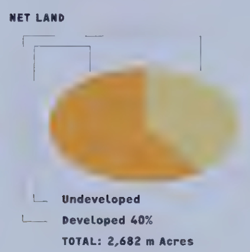
- The 1998 drilling program included 32 exploratory wells and 54 development wells, resulting in 57 completions and 13 new pool discoveries.
- Oil production averaged 29,425 bopd in 1998. Natural gas volumes were flat at 6 mmcf/d.
- We consolidated three facilities at Northend/Border, locking in significant operating cost savings for the balance of the reserves.
- At Macklin, we drilled 6 wells and recompleted one well, establishing commercial natural gas reserves that will come on production in the second quarter of 1999.
- Since the purchase of the Eyehill Creek property in late 1995, Renaissance has increased production from 300 to 1,000 bopd. This rate was maintained throughout 1998 with waterflood management.

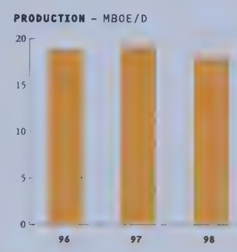
- At Green Glades, additional drilling and reserve inventory was added with the purchase of an offsetting property.
- Two new pool discoveries were drilled at Fleeing Horse Lake using 3-D seismic.
- Strategic land acquisitions and farm-ins, as well as the use of 3-D seismic, continued to add reserves at Hansman Lake.

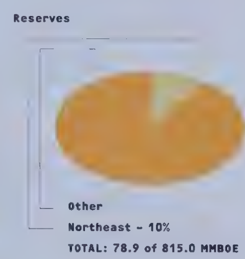
Northeast Alberta

- The 1998 winter program resulted in 50 exploratory wells and 21 development wells, resulting in 37 completions.



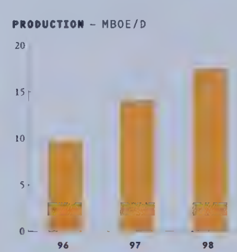


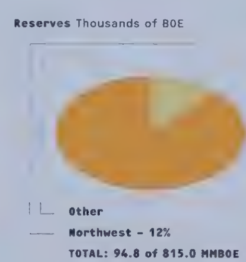




- Production volumes in 1998 were maintained at 172 mmcf/d.
- The 1999 drilling program resulted in two new pool discoveries that will add to our existing production volumes following further development drilling.
- The Pinnacle acquisition added four new facilities and 30 mmcf/d of net natural gas production on the Cherpetta trend.
- The Redwater oil facility added 850 bopd of production.
- The 1998 discovery of two new Grosmont pools was followed up by development programs in 1999, resulting in 5 mmcf/d of new natural gas production.

Northwest Alberta





- The 1999 winter program resulted in 20 new pool discoveries from 100 well completions with a 70% success rate.
- This drilling resulted in the addition of 60 mmcf/d and 300 bopd of productive capability. Additional gas volumes in the order of 20 mmcf/d are tested and will be connected next winter.

- A large natural gas discovery was made at Mega in the Slave Point and Elkton formations. Deliverability potential in excess of 15 mmcf/d has been established. Delineation drilling to date in 1999 has validated recoverable reserves in excess of 25 bcf with additional drilling planned next season, at which time the project will be connected.

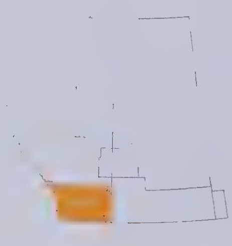
- Natural gas assets with strategic infrastructure in the Venus/Chinchaga area were acquired. Production has been doubled and further exploitation of these assets is planned throughout 1999.

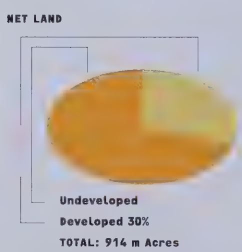
- At Boyer, a 15-well drilling program was completed, resulting in 15 natural gas wells and a significant new discovery. Next season's drilling will focus on continued development drilling and the delineation of the new pool discovery, which we believe has significant reserve potential.

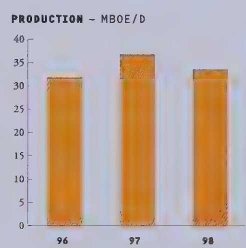
- Natural gas production in 1998 in the Marten Hills area averaged 30 mmcf/d, up from 15 mmcf/d in 1997. Drilling success in the 1999 winter program will result in significant volume growth in this area.

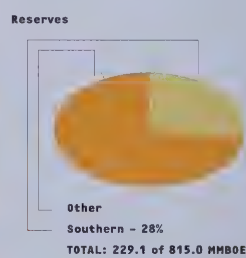
- A new oil pool was discovered at Utikuma with production capability in excess of 600 bopd. Delineation drilling of this prospect is planned in 1999. Renaissance has more than 25 sections of land offsetting this play.

Southern Alberta









- In 1998 we drilled 27 exploratory wells and 66 development wells, resulting in 73 completions.

- Oil production volumes of 31,567 bopd in 1998 were down marginally from 1997 levels. Natural gas production volumes were 20 mmcf/d in 1998 compared to 24 mmcf/d in 1997.

- The 1998 drilling program resulted in two new oil pool discoveries and one new natural gas discovery. Development is being deferred pending recovery in oil prices.

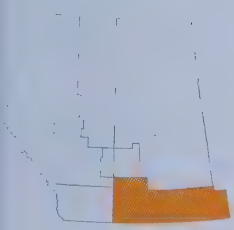
- Two oil properties along the Bantry/Alderson Sunburst oil trend were purchased, adding 1,100 bopd.

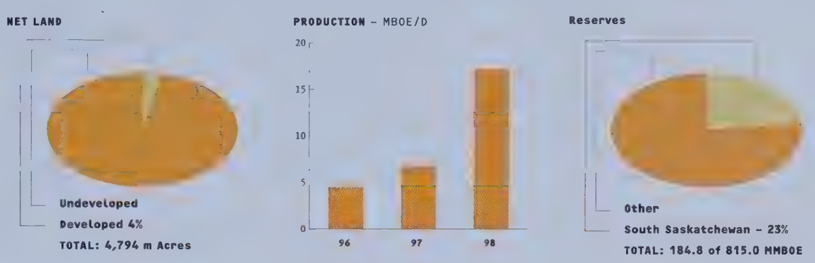
- 32 wells were drilled and 27 cased as Sawtooth oil wells at Bow Island. The Bow Island oil battery, completed in June 1998, is currently producing 1,850 bopd.

- A new natural gas facility came on stream at Warner with current production rates of 9 mmcf/d. These new volumes were brought on with minimal capital expenditures by recompleting suspended oil wells in a shallower horizon and employing surplus processing equipment.

- We expect 1999 will see additions to natural gas volumes through continued uphole recompletions and new drilling.
- Crude oil volumes continue to be maximized through waterflood implementation and select oil well drilling.

South Saskatchewan

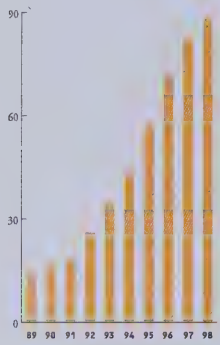




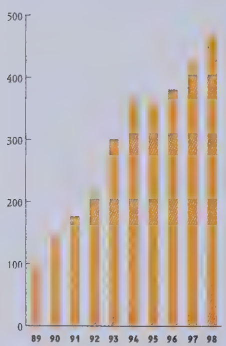
- Through the Pinnacle acquisition, Renaissance acquired working interests in 30 facilities and added 19,000 bopd and 5 mmcf/d of production. Oil production volumes were 16,700 bopd in 1998, up from 6,800 bopd in 1997. Natural gas volumes were 5 mmcf/d versus nil in 1997. Current volumes are 26,300 bopd and 10 mmcf/d.
- South Saskatchewan represents an enormous warehouse of existing crude oil and natural gas reserves currently controlled by Renaissance.
- Renaissance is the dominant player in South Saskatchewan, and a significant portion of our future growth will be derived from our current asset base in this region.
- A total of 83 exploratory wells and 37 development wells were drilled as part of the 1998 drilling program, resulting in 88 completions and five new pool discoveries.
- Following the drilling of 34 wells, shallow natural gas exploration properties in the Swift Current area will be on production in June 1999. This new natural gas trend holds considerable potential on 200,000 acres of newly acquired land, as well as on our existing exploratory permits.
- Substantial production gains were realized through the implementation of waterflooding programs in 1998.

REGIONAL ANALYSIS

Daily Oil Production
Thousands of Barrels



Daily Gas Production
Millions of Cubic Feet



Drilling Activity and Net Undeveloped Land Holdings

	1998 Wells Drilled	Undeveloped Land (000's Acres)
Central Alberta	76	1,006
Eastern Alberta	87	403
Northeast Alberta	70	1,911
Northwest Alberta	266	3,330
Southern Alberta	93	704
South Saskatchewan	120	4,627
	712	11,981

Proven and Probable Reserves

	Oil		Natural Gas		Value *	
December 31, 1998	mmbls	%	bcf	%	mm	%
Central Alberta	32	6	581	23	$ 510	13
Eastern Alberta	127	23	92	4	558	14
Northeast Alberta	5	1	738	29	570	15
Northwest Alberta	14	2	818	32	595	15
Southern Alberta	207	37	206	8	1,018	27
South Saskatchewan	176	31	100	4	628	16
	561	100	2,535	100	$ 3,879	100

* *Estimated future net revenues before overhead and interest expenses and income taxes discounted at 15%*

Average Daily Oil Production Volumes (barrels)

Year ended December 31	**1998**	1997	1996
Central Alberta	**8,046**	8,692	6,688
Eastern Alberta	**29,424**	31,317	30,788
Northeast Alberta	**730**	383	218
Northwest Alberta	**1,381**	787	107
Southern Alberta	**31,566**	34,428	29,668
South Saskatchewan	**16,744**	6,768	4,452
Average daily production	**87,891**	82,375	71,921
Total annual (000's)	**32,080**	30,067	26,323

Average Daily Natural Gas Production Volumes (million cubic feet)

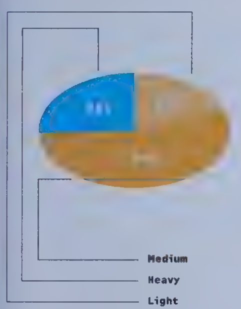
Year ended December 31	**1998**	1997	1996
Central Alberta	**94**	69	73
Eastern Alberta	**6**	6	5
Northeast Alberta	**173**	188	186
Northwest Alberta	**170**	133	95
Southern Alberta	**20**	24	21
South Saskatchewan	**5**	–	–
Average daily production	**468**	420	380
Total annual (000's)	**170,787**	153,322	139,218

MARKETING

Crude Oil

Renaissance directly markets all of its crude oil production to refiners in Canada and the Rocky Mountain and mid-west regions of the United States. By controlling our supply to the end-user, with an emphasis on flexible delivery volumes, qualities and locations, we have established strong relationships with customers. These practices will enable us to continue maximizing the revenue associated with our expanding production.

1998 Oil Production
BY MARKET — TOTAL: 87,891 bopd

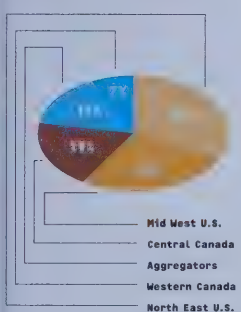


We transport our crude oil production on numerous pipelines inside Alberta and Saskatchewan to key market centers as well as downstream for deliveries off the Interprovincial/Lakehead, Rangeland/Murphy and Express systems. Our position as a shipper and our substantial industry presence allows considerable flexibility to avoid shut-in production during times of pipeline capacity restrictions.

Crude oil flows on a variety of streams within the pipelines according to its gravity and sulphur content. Our crude production is generally medium gravity, averaging 23° API.

Renaissance proactively employs a variety of strategies to enhance our crude oil marketing capabilities. One of these strategies is targeted at expanding markets for the increasing amount of oil we are supplying from our operations in South Saskatchewan. This involves promoting our quality grades of crude oil as well as the delivery mechanisms and competitive pricing alternatives we are able to offer refiners.

1998 Natural Gas Production
BY MARKET — TOTAL: 468 mmcf/d



We are proactively managing our growing natural gas liquids production. This strategy involves evaluating our internal operational consumption of such products to seek the most economic alternatives for the marketing of these volumes.

Natural Gas

Renaissance's natural gas marketing program extensively covers local distribution, industrial and electrical generation companies across western and central Canada, and the northeast and mid-west United States. Renaissance's established transportation and storage portfolio provides the ability to offer long-term, annual, seasonal or peak delivery service to customers and yields favourable sales price exposure. Approximately 85% of total sales are price responsive to market indices on a monthly basis.

We continually evaluate incremental market and transportation opportunities to ensure our expanding supply base is sold into a diversified pricing and geographic portfolio. Natural gas futures contracts and other financial instruments are utilized occasionally to capture exceptional pricing opportunities. These activities are executed in accordance with guidelines established by the Board of Directors.

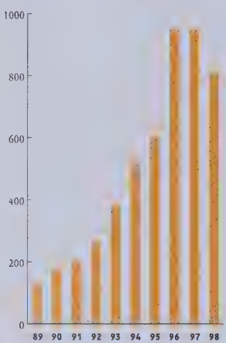
To maximize our natural gas supplies, we strive to maintain a balance in our geographic portfolio to ensure favourable price exposure, maintain our delivery commitments and maximize transportation efficiencies. As we benefit from controlling our production, we are actively negotiating the return of volumes contracted with aggregators. By regaining control of our sales volumes, Renaissance expects to realize higher prices.

Financial Review

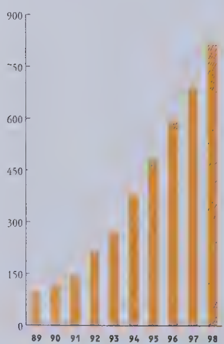
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

RESULTS OF 1998 OPERATIONS

Gross Revenue
Millions of Dollars



Total Reserves
Millions of BOE – Proven + Probable



In 1998, Renaissance undertook its most significant capital investment program with the expenditure of $1.6 billion. We completed the first corporate acquisition in our history with the purchase of Pinnacle Resources Ltd. effective July 3, 1998. This transaction accounted for two thirds of our capital program and provided an excellent operational fit for Renaissance. The operational efficiencies are now being realized and the development potential will be exploited for many years to come.

OPERATING INCOME

Operating Income (millions)

Year ended December 31	**1998**	1997	1996
Petroleum and natural gas revenues	**$ 813**	$ 948	$ 953
Royalties	**(107)**	(160)	(152)
Production expenses	**(226)**	(193)	(152)
Operating income	**$ 480**	$ 595	$ 649
Oil/natural gas revenue ratio	**54/46**	64/36	68/32
Netback per BOE*			
Sales price	**$ 16.54**	$ 20.88	$ 23.67
Royalties	**(2.19)**	(3.52)	(3.77)
Production expenses	**(4.59)**	(4.25)	(3.77)
	$ 9.76	$ 13.11	$ 16.13
Daily production volume BOE*	**134,682**	124,381	109,959

* *"BOE" throughout this section refers to "Barrels of Oil Equivalent Production". Natural gas volumes are converted to oil equivalence at a ratio of 10 mcf to one barrel. This conversion factor is an industry accepted norm and is not based on either energy equivalency or current prices.*

OIL OPERATIONS

Renaissance's oil sales volumes increased 7% in 1998, averaging 87,891 barrels per day as the volumes acquired on the Pinnacle transaction more than offset the reservoir decline on our existing properties. Due to low oil prices, we deferred virtually all of our normal oil development program over the last half of the year. Such programs normally compensate fully for reservoir decline.

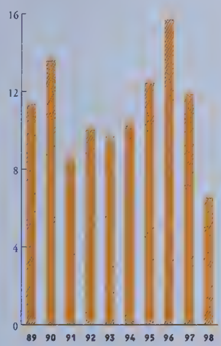
Our average sales price declined drastically in 1998 as the benchmark WTI oil price decreased 30% from the prior year. On a more positive note, the differential (discount) between our blend of medium gravity crude oils and the benchmark Edmonton light crude posting actually improved to average $6.35 per barrel, a decline from $7.20 in 1997. While this differential widened considerably during the first half of the year, supply and demand forces caused it to contract to historically low levels over the last half. The depreciation of the Canadian dollar during 1998 also offset some of the weakness in world oil prices. Royalties as a percentage of sales declined to 15% from 18% as a result of the lower sales price.

Operating costs expressed on a unit of production basis increased 5% to $5.10 per barrel due to maturing reservoirs and the deferral of development drilling and the consequent reduction in volumes.

Oil Netbacks per Barrel

Year ended December 31		**1998**		1997		1996
Sales price	**$**	**13.68**	$	20.28	$	24.69
Royalties		**(2.12)**		(3.66)		(4.55)
Production expenses		**(5.10)**		(4.84)		(4.50)
Netback	**$**	**6.46**	$	11.78	$	15.64
Royalty percentage		**15%**		18%		18%
Average daily production (barrels)		**87,891**		82,375		71,921

Oil Netbacks
Dollars per Barrel



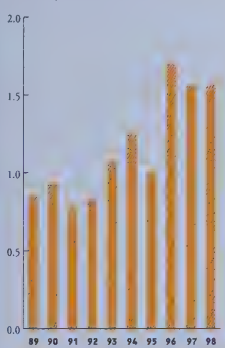
NATURAL GAS OPERATIONS

Renaissance's natural gas volumes increased 11% in 1998 to average 468 mmcf/d as the volumes acquired on the Pinnacle transaction more than offset the reservoir decline on our existing properties.

Our average natural gas price in 1998 remained relatively constant at $2.19/mcf as hedging gains of $0.20/mcf offset the 11% decline in field realizations. Natural gas royalties averaged 13% of revenues compared to 15% in 1997.

Operating costs increased to $0.37/mcf from $0.31/mcf as a result of inflationary cost pressures, higher production volumes from our northern region where costs are higher than our southern region, and the increased proportion of our production volumes processed through other operators' facilities.

Natural Gas Netbacks
Dollars per Thousand Cubic Feet



Natural Gas Netbacks per Thousand Cubic Feet

Year ended December 31		**1998**		1997		1996
Sales price	**$**	**2.19**	$	2.21	$	2.18
Royalties		**(0.25)**		(0.34)		(0.24)
Production expenses		**(0.37)**		(0.31)		(0.24)
Netback	**$**	**1.57**	$	1.56	$	1.70
Royalty percentage		**13%**		15%		11%
Average daily production (million cubic feet)		**468**		420		380

GENERAL AND ADMINISTRATIVE EXPENSES

Gross overhead increased 16% in 1998 to $66 million due to increased staffing. When expressed on a barrel of oil equivalent production basis, gross overhead costs rose 7% as staffing increases outstripped production gains.

Total operator recoveries rose modestly; those related to capital programs fell in parallel with the reduction in expenditures while those related to operating increased with the addition of the Pinnacle properties.

General and Administrative Expenses (millions)

Year ended December 31			**1998**		1997		1996
Gross expenses		**$**	**66**	$	57	$	51
Operator recoveries	- capital		**(10)**		(14)		(14)
	- operating		**(23)**		(18)		(14)
Net expenses		**$**	**33**	$	25	$	23
Average cost per boe	- gross	**$**	**1.35**		1.26	$	1.27
	- net	**$**	**0.67**	$	0.55	$	0.56

INTEREST AND FINANCIAL EXPENSES

Renaissance's average debt outstanding in 1998 almost doubled to $1.1 billion while our average interest rate rose to 5.9% from 5.4%. The net result was a doubling of interest expense.

Interest on Long-Term Debt *(millions)*

Year ended December 31		**1998**		1997		1996
Interest expenses	**$**	**66**	$	33	$	36
Prepayment penalty		**–**		–		13
Total	**$**	**66**	$	33	$	49
Average cost per boe	**$**	**1.34**	$	0.73	$	1.20
Average debt outstanding	**$**	**1,124**	$	570	$	515
Average interest rate *		**5.9%**		5.4%		6.8%
Cash flow times interest coverage*		**6**		16		16

* *excluding prepayment penalty in 1996*

CAPITAL TAXES

As federal capital taxes are based upon year-end equity and debt levels, our expense increased commensurately with the growth in our balance sheet. While Saskatchewan also levies a capital tax, it is essentially another royalty. We are now reporting this as part of our oil royalty expense and have reclassified prior years' amounts.

Capital Taxes *(millions)*

Year ended December 31		**1998**		1997		1996
Federal capital tax	**$**	**9**	$	7	$	6
Average cost per boe	**$**	**0.18**	$	0.16	$	0.15

DEPLETION, DEPRECIATION AND SITE RESTORATION

In 1998, depletion, depreciation and site restoration expense rose by $55 million to $387 million. Higher production volumes accounted for half of the increase and the balance was due to the 8% increase in our depletion rate. The depletion rate increase was primarily attributable to the negative proven reserve revisions recognized in 1998.

Depletion, Depreciation and Site Restoration *(millions)*

Year ended December 31		**1998**		1997		1996
Depletion and depreciation	**$**	**369**	$	318	$	268
Site restoration provision		**18**		15		12
Total	**$**	**387**	$	333	$	280
Average cost per boe	**$**	**7.88**	$	7.33	$	6.95

DEFERRED INCOME TAXES

Renaissance recorded a $5 million deferred income tax recovery representing one third of the operating loss. Through the Pinnacle acquisition, $360 million of assets with no tax basis were acquired. The effect of this is a significant increase in non-deductible depletion in the income tax provision which distorts the effective tax rate, particularly at these low earnings levels.

Deferred Income Taxes (millions)

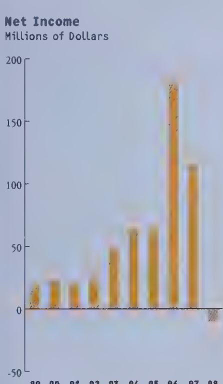
Year ended December 31	**1998**	1997	1996
Deferred income taxes (recovery)	**$ (5)**	$ 82	$ 111
Average cost per boe	**$ (0.11)**	$ 1.80	$ 2.76
Effective tax rate	**34%**	42%	38%

Although Renaissance does not currently pay cash income taxes, we have paid the following amounts to various levels of government in Canada.

Payments to Governments (millions)

Year ended December 31	**1998**	1997	1996
Crown royalties	**$ 76**	$ 114	$ 105
Lease acquisitions and retentions	**46**	58	89
Capital taxes	**9**	7	6
Property and business taxes	**15**	12	8
Freehold mineral taxes	**4**	8	7
Other charges and levies	**12**	9	12
Total	**$ 162**	$ 208	$ 227

NET EARNINGS



In 1998, Renaissance recorded a $10 million loss, the first loss in our 16 year corporate history. This is an enormous change from just two years ago. To give some perspective to this change, the record 1996 earnings of $180 million represents 32% of the cumulative retained earnings of Renaissance. The following analysis outlines the nature of the variances in our earnings since 1996:

Net Income ($000s)

	Price/Rate Variances	Volume Variances	Effect on Net Income
1996 net income			$ 180,449
Oil operating income	$ (101,814)	$ 44,226	(57,588)
Natural gas operating income	(18,719)	22,070	3,351
General and administrative expense			(2,432)
Interest on long-term debt and other			16,219
Capital taxes			(1,436)
Depletion, depreciation and amortization	(16,343)	(36,357)	(52,700)
Deferred income taxes			29,500
	$ (136,876)	$ 29,939	(65,086)
1997 net income			115,363
Oil operating income	$ (158,268)	$ 13,182	(145,086)
Natural gas operating income	2,175	27,577	29,752
General and administrative expense			(8,015)
Interest on long-term debt			(33,008)
Capital taxes			(1,542)
Depletion, depreciation and amortization	(23,361)	(31,439)	(54,800)
Deferred income taxes			87,000
	$ (179,454)	$ 9,320	(125,699)
1998 loss			**$ (10,336)**

LIQUIDITY AND CAPITAL RESOURCES

In 1998, Renaissance's outstanding debt and working capital deficiency increased by $599 million to $1,465 million by year end. The increment was attributable to:

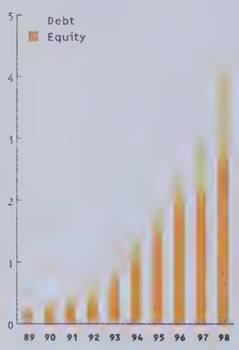
Assumption of Pinnacle's debt	$ 375 million
Assumption of Pinnacle's working capital deficiency	$ 76 million
Excess of capital expenditures over cash flow	$ 148 million

At December 31, 1998, our authorized and outstanding credit facilities were:

Facility	Authorized	Outstanding	Remaining
Commercial Paper	$ 400	$ 391	$ 9
Bank Facilities			
Operating facility	30	5	25
Term facilities	225	218	7
Revolving facilities	450	322	128
$US Senior Notes *	340	187	153
Medium Term Notes	700	300	400
	$ 2,145	$ 1,423	$ 722

* *US$ converted to Cdn $ @ $1.53 ($0.65)*

Capital Structure
Billions of Dollars



Renaissance has an additional $400 million of facilities with its banks that serve as back-up arrangements to the commercial paper program. We do not carry "off balance sheet" forms of financing, except for certain operating leases relating to our head office premises and field vehicles, and certain oil and gas transportation commitments, none of which are of a material size.

The public debt facilities are rated by Canada's major debt rating agencies, Canadian Bond Rating Service and Dominion Bond Rating Service. Recently, Renaissance and several other industry companies were placed on credit watch with negative implications citing poor profitability. Should we experience a down grade from our current ratings during the upcoming annual review by the agencies, the primary impact would be a nominal rise in transaction fees pursuant to our Bank Facilities. Management expects that Renaissance will continue to receive an investment grade rating from both agencies.

Our Bank and Senior Note Facilities have identical financial covenants. Our remaining facilities are covered by these tests through cross default provisions. These covenants and Renaissance's 1998 results are:

	1998 Actual	Covenant
Interest coverage on long-term debt (minimum covenant)	6.6 to 1	3 to 1
Debt to consolidated shareholders' equity (not to exceed convenant)	0.53 to 1	1 to 1
Consolidated shareholders' equity and deferred income taxes (minimum covenant)	$3 billion	$2 billion

All sales receivable and trade payables are settled on a monthly basis. Working capital liquidity is maintained through drawings and repayments on the bank and commercial paper facilities as well as the maintenance of unutilized credit capacity.

As the majority of the ongoing capital expenditure program is directed to the further growth of reserves and production volumes, Renaissance is readily able to adjust its capital expenditures should the need arise.

BUSINESS RISKS

Our business is subject to several key risks that we have categorized as to operational, financial, regulatory and Year 2000 matters.

Operational Risks

Operational risks include recruiting and retaining professional staff, contract services, finding and developing oil and natural gas reserves, ongoing reservoir production performance, and marketing the related production. These risks are mitigated by:

- employing compensation programs that provide industry leading edge remuneration when corporate performance is superior;
- maintaining long-term supplier relationships with predictable levels of activity;
- maintaining a geologically diverse prospect inventory;
- concentrating our activities in core areas with the goal of being the dominant player from an undeveloped land and exploration activity position;
- generating our own prospects, thereby maintaining control over the quality and consistency of our investment opportunities;
- using new technologies extensively;
- installing an efficient, environmentally sensitive production infrastructure;
- marketing our production directly to a diverse group of customers and markets;
- maintaining direct control of pipeline transportation capacity wherever possible; and
- maintaining prudent levels of insurance.

Financial Risks

Financial risks include the availability of capital, commodity prices, the Canadian/United States foreign exchange rate, and interest rates, all of which are largely beyond the control of management. These risks are mitigated by:

- relying upon an equity-based balance sheet;
- maintaining low costs to maximize our profitability;
- utilizing hedging techniques to provide an added degree of certainty to our cash flow projections to finance our capital expenditure program;
- utilizing sales contracts to manage prices received; and
- maintaining a balanced exposure to short, medium and long-term interest rates.

As at March 22, 1999, the following financial derivative programs were in place for 1999:

Oil prices

	Collars		Differential Swaps *		Cdn. $000's		
	Volume	Average	Volume	Average	Loss		
	(bopd)	Price US$	(bopd)	Price US$	Realized	Unrealized	Total
1999 First Quarter	4,000	$15 - $19	23,000	NYMEX–$3.64	–	(0.6)	(0.6)
1999 Second Quarter	6,000	$15 - $19	23,000	NYMEX–$3.64	–	(1.9)	(1.9)
1999 Third Quarter	6,000	$15 - $19	23,000	NYMEX–$3.64	–	(1.9)	(1.9)
1999 Fourth Quarter	4,000	$15 - $19	23,000	NYMEX–$3.64	–	(1.9)	(1.9)
1999	5,000	$15 - $19	23,000	NYMEX–$3.64	–	(6.3)	(6.3)
2000	1,500	$15 - $19	1,000	NYMEX–$3.50	–	–	–

* *Renaissance receives NYMEX less a fixed quality differential.*

Natural gas prices

	Forwards		Differential Swaps*		Cdn. $000's		
	Volume	Average	Volume	Average	Gain		
	(mmcf/d)	Price US$	(mmcf/d)	Price US$	Realized	Unrealized	Total
1999 First Quarter	86	$2.14	25	AECO	1.8	0.6	2.4
1999 Second Quarter	46	2.12	25	AECO	–	3.3	3.3
1999 Third Quarter	41	2.17	25	AECO	–	3.0	3.0
1999 Fourth Quarter	19	2.27	12	AECO	–	1.2	1.2
1999	48	$2.15	22	AECO	1.8	8.1	9.9
2000 and beyond	7.5	$2.50	4	AECO	–	4.3	4.3

* *Renaissance pays an average of NYMEX - $0.80 and receives current AECO pricing.*

Currency exposure

Renaissance has entered into several collar arrangements whereby we are protected from a strengthening Canadian dollar beyond Cdn$1.50 (US$ 0.67) but will give up any gains from a weakening Canadian dollar beyond an average of Cdn$1.57 (US$0.63) on approximately US$15 million per month of revenues for a three year period. At current spot prices, there are no unrealized gains or losses.

Interest rate exposure

Renaissance utilizes various products to manage its exposure to changes in interest rates primarily consisting of fixed rate financings and swap arrangements whereby we exchange our floating interest rate exposure for fixed interest rate exposure.

Currently, Renaissance has fixed interest rate obligations for periods in excess of one year on approximately 45% of its outstanding debt, the full details of which are set out in the Consolidated Financial Statements.

Regulatory Risks

Regulatory risks include governments' energy policies, taxation laws and operational laws. The oil and natural gas industry has historically been subject to a high degree of government regulation, which Renaissance is unable to control. These risks are mitigated by:

- adopting a proactive approach to public policy initiatives to minimize any negative impact on our operations;
- maintaining comprehensive programs and contingency plans to control health, safety and environmental risks which exceed existing legislative and regulatory requirements;
- performing regular audits of our operations to ensure compliance with applicable regulations and Renaissance standards; and
- maintaining a proactive program of well site and facility reclamation and restoration to minimize future liabilities.

Year 2000 Risks

Renaissance recognizes the importance of the Year 2000 issue from both a technology and corporate business perspective. Y2K project work commenced in March 1997 with the objective of minimizing the risks that may result from the Year 2000 issue. The mitigating strategies to deal with these risks are embodied in 26 projects which include a review of our financial reporting, land systems and field operations. In the development of our strategy to mitigate Y2K risk, we have prioritized our resources based upon the consequence of system failure and our risk tolerance with respect to each system, with the highest priorities to health and safety, environmental impact and production interruptions. We expect to complete our Y2K project initiatives by June 30, 1999. We have included a Y2K section on our internet website that will be regularly updated with a status report.

No Year 2000 plan can be guaranteed to solve all Y2K issues due to the interdependencies amongst companies and the complexities of identifying and remediating Y2K technology issues. Correspondence and discussions are well underway with our business associates to deal with the risks and impacts associated with the products and services provided by suppliers, customers, regulatory agencies, and others. Our greatest exposure is with respect to oil and natural gas pipeline systems in North America which involves many parties and is highly automated at various stages of the process. There are a limited number of oil and natural gas pipelines available to transport Renaissance's products and failure of any major pipeline would have a material negative impact on our operations. As we operate almost all of our important properties, our production will not be materially effected by failure of joint venture partners.

Contingency plans are being formulated to address alternatives for the company in the event of unexpected business disruption caused by Y2K issues. Change Management practices are being implemented to deal with the risks and impact of systems and devices acquired subsequent to the completion of the associated Y2K project. In the second quarter of 1999, a third party audit will be undertaken to review the Y2K projects, practices and procedures.

A total budget of $2 million has been allocated to Year 2000 projects, of which $1 million has been expended to date.

BUSINESS PROSPECTS

Operating Environment

The impact of low prices is clearly evidenced by the significant deterioration in the profitability and balance sheets of energy companies over the last two years.

Average oil prices (per barrel)

	1999 To March 22	1998	1997	1996
West Texas Intermediate – $US	$ 12.25	$ 14.42	$ 20.61	$ 22.00
Differential to				
Hardisty Medium	2.30	4.55	5.32	3.59
Hardisty Medium – $US	$ 9.95	$ 9.87	$ 15.29	$ 18.41
Exchange Rate ($US/$Cdn)	$ 0.662	$ 0.675	$ 0.722	$ 0.733
Hardisty Medium – $Cdn	$ 15.00	$ 14.62	$ 21.16	$ 25.10

We are optimistic that the oil price weakness is nearing an end as supply and demand appear to be coming into balance. Currently, the Hardisty Medium Price is considerably higher that the first quarter average.

Average natural gas prices (per mcf)

	1999 To March 22	1998	1997	1996
NYMEX HenryHub $US	$ 1.75	$ 2.14	$ 2.75	$ 2.55
Alberta Reference Price $Cdn	$ 2.15	$ 1.94	$ 1.88	$ 1.63

Natural gas prices have been less erratic although they can vary substantially depending upon the delivery point in North America and a particular company's access to markets. Most recently, prices in western Canada have risen as availability to transport natural gas to delivery points elsewhere in North America has increased.

The weakness in oil prices in particular, has had a devastating impact on industry planning, raising capital, capital expenditures, and profitability. Managing through the cycle has taken on a much different meaning through this period. Conservation of credit lines, cost control, restriction on capital expenditure programs, and limitations on growth are the new catch words of the industry.

Renaissance's 1999 Operations

In 1999, we will continue our program of prudent capital allocation.We have established a capital-spending program, net of proceeds from property dispositions, of approximately $450 million. Capital will be dedicated to those projects showing the highest return and will focus on profitable volume growth and long-term cost savings. Current activities will be focused on natural gas volume growth. Oil exploration and selective development will be undertaken on properties when economic returns justify the expenditures.

Our current oil netbacks are higher than one year ago and are anticipated to remain higher throughout the remainder of the year. Conversely, our natural gas netbacks are slightly lower but are expected to improve throughout the year. As we do not control the price we receive for our products, our emphasis for 1999 is on controlling our costs wherever possible.

Our capital structure is strong at 65% equity and 35% debt. While our debt-to-cash flow ratio, 3.6 times based on annualized 1998 fourth quarter cash flow, is higher than we would prefer, it does not present any credit issues. Our credit facilities have been established on a conservative basis and we readily meet all balance sheet and income statement covenants.

We believe that supply and demand fundamentals will dictate an improvement in commodity prices. We also believe that we are taking appropriate action and decisions to ensure our future profitability.

The following analysis sets out the sensitivities of Renaissance's cash flow and net income:

Sensitivities *(millions except per share amounts)*

	Cash Flow	Per Share	Net Income	Per Share
Operational risks				
Change of 1,000 barrels in average daily oil production	$ 2	$ 0.02	$ nil	$ nil
Change of 10 million cubic feet in average daily natural gas production	$ 5	$ 0.03	$ 1	$ nil
Financial risks				
Change of US$1.00 per barrel in the average price of crude oil	$ 47	$ 0.30	$ 32	$ 0.21
Change of US$0.10 per thousand cubic feet in the average price of natural gas	$ 23	$ 0.15	$ 16	$ 0.10
Change of $0.01 in the Canadian/United States foreign exchange rate	$ 13	$ 0.08	$ 9	$ 0.06
Change of 1% in interest rates	$ 9	$ 0.06	$ 6	$ 0.04

These sensitivities are calculated based upon 1998 fourth quarter production volumes of 97,900 barrels of oil per day and 480 million cubic feet of natural gas per day as well as widely published pricing benchmarks. However, they do not factor in all market pricing elements and accordingly are approximations only.

Financial Reports

MANAGEMENT'S REPORT

To the Shareholders of Renaissance Energy Ltd.:

Management is responsible for the preparation of the consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

External auditors, appointed by the shareholders, have examined the consolidated financial statements. The Audit Committee, consisting of non-management directors, has reviewed the consolidated financial statements with management and the auditors and has reported to the Board of Directors. The Board has approved the consolidated financial statements.

Clayton H. Woitas
President and
Chief Executive Officer

John A. Thomson, C.A.
Senior Vice President,
Chief Financial Officer

Calgary, Alberta
March 22, 1999

AUDITORS' REPORT

To the Shareholders of Renaissance Energy Ltd.:

We have audited the consolidated balance sheet of Renaissance Energy Ltd. as at December 31, 1998 and 1997 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the three year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and its cash flow for each of the years in the three year period ended December 31, 1998 in accordance with generally accepted accounting principles.

Arthur Andersen LLP

Calgary, Alberta

February 24, 1999

Financial Statements

CONSOLIDATED BALANCE SHEET

December 31 (Thousands of Dollars)	1998	1997
ASSETS		
Current Assets		
Cash	$ 148	$ 261
Accounts receivable	68,971	80,666
	69,119	80,927
Property, Plant and Equipment *(Note 3)*	4,622,138	3,364,360
	$ 4,691,257	$ 3,445,287
LIABILITIES		
Current Liabilities		
Accounts payable	$ 12,229	$ 38,321
Accrued liabilities	99,302	126,831
	111,531	165,152
Site Restoration Accrual *(Note 4)*	38,527	25,277
Long-Term Debt *(Note 5)*	1,422,651	781,785
Deferred Income Taxes	421,550	372,108
SHAREHOLDERS' EQUITY		
Share Capital *(Note 7)*	2,130,879	1,524,510
Retained Earnings	566,119	576,455
	2,696,998	2,100,965
	$ 4,691,257	$ 3,445,287

Signed on Behalf of the Board

R. G. Greene,
Director and Chairman of the Board

W. L. Matthews, C.A., Director and
Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended December 31 (Thousands of Dollars)	**1998**	1997	1996
Operating Income			
Petroleum and natural gas revenues	**$ 813,205**	$ 948,156	$ 952,762
Royalties	**(107,431)**	(160,102)	(151,702)
Production expenses	**(226,022)**	(192,968)	(151,737)
	479,752	595,086	649,323
Expenses			
General and administrative	**33,169**	25,154	22,722
Interest on long-term debt *(Note 5)*	**65,917**	32,909	49,128
Capital taxes	**8,902**	7,360	5,924
Depletion, depreciation and site restoration	**387,400**	332,600	279,900
Income (Loss) Before Income Taxes	**(15,636)**	197,063	291,649
Deferred income taxes (recovery) *(Note 8)*	**(5,300)**	81,700	111,200
Net Income (Loss) *(Note 9)*	**(10,336)**	115,363	180,449
Retained Earnings, beginning of year	**576,455**	461,092	280,643
Retained Earnings, end of year	**$ 566,119**	$ 576,455	$ 461,092

CONSOLIDATED STATEMENT OF CASH FLOW

Year Ended December 31 (Thousands of Dollars)	**1998**	1997	1996
Operating Activities			
Net income (loss)	**$ (10,336)**	$ 115,363	$ 180,449
Add charges not affecting cash			
Depletion, depreciation and site restoration	**387,400**	332,600	279,900
Foreign exchange loss	**–**	–	993
Deferred income taxes (recovery)	**(5,300)**	81,700	111,200
Cash flow from operations *(Note 9)*	**371,764**	529,663	572,542
Financing Activities			
Increase (decrease) in long-term debt	**266,036**	367,784	(16,036)
Issue of shares for cash	**7,446**	16,800	333,541
Acquisition of Pinnacle Resources Ltd. *(Note 2)*			
Issue of shares	**598,923**	–	–
Assumption of long-term debt	**374,830**	–	–
Decrease (increase) in non-cash working capital	**(41,926)**	35,471	25,256
Other	**–**	–	(2,329)
	1,205,309	420,055	340,432
Cash Available for Investing Activities	**1,577,073**	949,718	912,974
Investing Activities			
Acquisition of Pinnacle Resources Ltd. *(Note 2)*	**(1,049,314)**	–	–
Additions to property, plant and equipment	**(522,922)**	(942,022)	(905,451)
Site restoration expenditures	**(4,950)**	(7,435)	(7,561)
	(1,577,186)	(949,457)	(913,012)
Increase (Decrease) in Cash	**(113)**	261	(38)
Cash, beginning of year	**261**	–	38
Cash, end of year	**$ 148**	$ 261	$ –

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998, 1997 and 1996

(Tabular amounts in thousands, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

a) Property, Plant and Equipment

i) Capitalized costs

The full cost method of accounting for petroleum and natural gas properties and related expenditures is followed. Under this method, all costs related to the exploration and development of petroleum and natural gas reserves are capitalized. Capitalized costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on non-producing properties, and drilling of productive and non-productive wells. General and administrative expenses are not capitalized other than to the extent of the Company's working interest in Company-operated capital expenditure programs to which operator's fees have been charged equivalent to standard industry operating agreements. Interest expense is not capitalized.

Proceeds from the disposition of petroleum and natural gas properties are accounted as a reduction in capitalized costs, with no gain or loss recognized unless such disposition would alter the depletion and depreciation rate by 20% or more.

ii) Depletion and depreciation

Depletion of petroleum and natural gas properties and depreciation of production equipment and facilities are calculated on the unit-of-production method based upon:

- total estimated proven developed and undeveloped reserves, before royalties;
- total capitalized costs plus estimated future development costs of proven undeveloped reserves less estimated net realizable value of production equipment and facilities after the proven reserves are fully produced; and
- relative volumes of petroleum and natural gas reserves and production converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil.

iii) Ceiling test

The carrying amount of property, plant and equipment, net of recorded deferred income taxes and accrued site restoration costs, is limited to the sum of:

- estimated future revenues, as reduced by royalties, operating costs, and development costs, from proven reserves; and

- the cost of undeveloped properties less estimates of impairment

  less estimates of future:

- site restoration costs;
- production-related general and administrative expense;
- interest expense; and
- applicable income and capital taxes

  plus estimates of future:

- net realizable value of production equipment and facilities.

No write-down of property, plant and equipment has ever been required under the ceiling test.

The calculations and estimates in ii) and iii) above have been prepared by management and are based upon sales prices, costs and regulations in effect at the end of the year. Independent engineers have evaluated 60% of the estimates of proven developed and undeveloped reserves and related future net revenues and development costs. Company engineers evaluated the balance of the reserves.

b) Site restoration costs

Future site restoration costs will be expensed over the life of the remaining proven reserves. The current site restoration provision represents the annual recognition of such expense based upon the production volumes of that year. Site restoration accrual represents the aggregate of such annual provisions less the aggregate of actual site restoration expenditures.

c) Foreign currency translation

Foreign currency denominated revenues are translated to Canadian dollars at the monthly average exchange rate. Foreign currency denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the balance sheet date and resulting gains or losses are included in the determination of net income for the period.

d) Joint ventures

Certain of the Company's exploration, development and production activities are conducted jointly with others, and accordingly, the accounts reflect only the Company's proportionate interest in such activities.

e) Financial instruments

Financial instruments are used to manage exposures related to interest rates, the Canada/U.S. exchange rate, and oil and natural gas prices. They are not used for speculative trading purposes.

Amounts received or paid under interest rate swaps are recognized in interest expense on an accrual basis, while gains and losses on exchange rate and commodity price instruments are included in revenues with the sale of the related production.

2. BUSINESS COMBINATION

Effective July 3, 1998 the Company acquired all the issued and outstanding shares of Pinnacle Resources Ltd. (Pinnacle), a public company engaged in the exploration and development of petroleum and natural gas in Western Canada. The acquisition was accounted for by the purchase method. The Company's financial results include the operating results of Pinnacle since the effective date. The purchase price was allocated to net assets acquired based on their estimated fair values.

Net assets acquired:	
Property, plant and equipment	$ 1,104,056
Less deferred income taxes	(54,742)
	1,049,314
Less long-term debt	(374,830)
Less working capital deficiency	(75,561)
	$ 598,923
Consideration:	
26,954,210 shares issued with an assigned value of $22.22 per share	$ 598,923

3. PROPERTY, PLANT AND EQUIPMENT

Virtually all of the Company's property, plant and equipment is invested in the acquisition of petroleum and natural gas rights and the exploration for, and development and production of, crude oil and natural gas. All activity is conducted in Western Canada.

	1998	1997
Property, plant and equipment, at cost	**$ 6,375,616**	$ 4,748,638
Accumulated depletion and depreciation	**(1,753,478)**	(1,384,278)
	$ 4,622,138	$ 3,364,360

Estimates of $528 million for future development costs of proven undeveloped reserves and $355 million for estimated net realizable value of production equipment and facilities were included in the calculation of 1998 depletion and depreciation expense.

4. SITE RESTORATION ACCRUAL

	1998	1997
Balance, January 1	**$ 25,277**	$ 17,412
Current site restoration provision	**18,200**	15,300
Current year expenditures	**(4,950)**	(7,435)
Balance, December 31	**$ 38,527**	$ 25,277

As at December 31, 1998 the estimated future site restoration costs to be accrued over the life of the remaining proven reserves were $281 million.

5. LONG-TERM DEBT

	1998	1997
Commercial Paper	**$ 391,146**	$ 200,000
Bank Facilities	**544,784**	381,785
Senior Notes (U.S. $122 million)	**186,721**	–
Medium Term Notes	**300,000**	200,000
	$ 1,422,651	$ 781,785

a) Credit Facilities

i) Commercial Paper

The Company has authorized the issuance of unsecured short-term promissory notes in the aggregate principal amount of $400 million. The promissory notes have a maximum term of 364 days and bear interest at short-term market rates.

The Company has a $400 million unsecured revolving facility with its principal banks which matures January 4, 2000, unless extended, that serves as a back-up facility to the commercial paper program. Advances can be drawn in either Canadian or U.S. dollar funds.

ii) Bank Facilities

The Company's bank loan agreements provide for $705 million of unsecured credit facilities that can be drawn in either Canadian or U.S. dollar funds comprised of the following:

Facility	Authorized	Outstanding	Term
Operating	$ 30,000	$ 5,000	Demand
Term	225,000	218,000	January 31, 2001
Extendible revolving	450,000	322,000	June 30, 2005, unless extended
	$ 705,000	$ 545,000	

The $225 million of term facilities are 364 day revolving facilities with a final maturity date of January 31, 2001. The $450 million of extendible revolving facilities provide for a $113 million reduction in the principal amount in each of the last four years of the term commencing on June 30, 2002, unless extended.

These facilities bear interest at banks' prime rates or at money market rates plus a 0.35% stamping fee. Interest rate swaps have been entered into to fix interest rates beyond 1999 as follows:

Amount	Fixed Interest Rate	Fixed Term
$15,000	5.49%	June 1999*
$50,000	5.38%	January 2000
$15,000	7.44%	August 2000
$50,000	5.15%	October 2000*
$50,000	5.15%	January 2001*

* *Subject to an option to extend term for an additional year.*

iii) Senior Notes

Unsecured senior notes of US $122 million, assumed on the acquisition of Pinnacle Resources Ltd., are comprised of the following:

Amount (US)	Cdn.	Interest Rate	Term
$ 20,000	$ 31,000	6.22%	March 2003
27,000	41,000	6.05%	March 2004
75,000	115,000	6.58%	November 2005
$ 122,000	$ 187,000		

The US $20 million of senior notes are repayable in full in March 2003.

The US $27 million of senior notes are repayable in equal annual instalments commencing in March 2000, to retire the issue in March 2004.

The US $75 million of senior notes are repayable in equal annual payments commencing in November 2001, to retire the issue November 2005.

iv) Medium Term Notes

The Company has authorized the issuance of medium term notes in the aggregate principal amount of $700 million. The notes are unsecured and can be issued in either Canadian or U.S. dollar funds. The notes bear interest at rates determined on the date of issue. The following notes have been issued:

Issue	Amount	Interest Rate	Term
Series A	$ 100,000	5.90%	February 2002
Series B	$ 100,000	6.85%	February 2007
Series C	$ 100,000	5.75%	February 2003

The short form prospectus pertaining to the $400 million of unissued medium term notes will expire December 2000.

b) Principal Repayments

Principal repayments of long-term borrowings in each of the next five years are as follows:

Year	Amount
1999	$ –
2000	$ 8,000
2001	$ 256,000
2002	$ 131,000
2003	$ 162,000

Principal repayments of $113 million in each of 2002 and 2003 are subject to extension as described in Bank Facilities.

6. FINANCIAL INSTRUMENTS

The fair values of the financial instruments included in the consolidated balance sheet, other than long-term debt, approximate their carrying values due to their short-term maturity.

Certain financial instruments used to manage the Company's exposure to interest rates and commodity prices were outstanding at December 31, 1998.

a) Interest Rates

The carrying values and estimated fair values of long-term debt and interest rate swaps are as follows:

Issue	Carrying Value	Fair Value	Increase in Liabilities
Long-term debt	$ 1,422,700	$ 1,426,600	$ 3,900
Interest rate swaps	–	700	700
	$ 1,422,700	$ 1,427,300	$ 4,600

The estimated fair value of long-term debt has been based on market quotations which reflect the discounted present value of future principal and interest payments. The estimated fair value of interest rate swaps is based on the cost to extinguish the outstanding contracts at December 31, 1998.

b) Commodity Prices

The outstanding commodity derivative instruments and related unrealized gains are as follows:

Nature of Hedge	Volume Hedged	Pricing	Term		Unrealized Gain ($Cdn)
Natural gas forward sales	45 mmcf/d	US $2.22/mcf	1999	$	10,100
Differential swaps					
Natural Gas	30 mmcf/d	Pay NYMEX less $0.80/mcf; receive AECO	1999 & 2000		4,300
Crude Oil	5,000 bopd	Pay NYMEX less market; receive NYMEX less US $3.25/bbl	1999*		nil
Collars	6,000 bopd	Cap US $19.00/bbl Floor US $15.00/bbl	1999 & 2000		5,900
Total				$	20,300

* *Subject to counterparty's option to extend term for an additional year.*

The natural gas forward sales settle at various dates in 1999 except for 7.5 million cubic feet per day at US $2.50 which terminates on December 31, 2005. This contract was acquired through the Pinnacle acquisition and revalued at the acquisition date. The related gain of $6.3 million is calculated with reference to the acquisition cost.

The crude oil differential swap has fixed the price differential between West Texas Intermediate and Bow River pricing at US $3.25. The natural gas differential swaps have fixed the differential between U.S. and Canadian pricing at an average of US $0.80 per thousand cubic feet.

In addition to these financial instruments, the Company has entered into term sales contracts with purchasers of its crude oil and natural gas with fixed pricing terms.

7. SHARE CAPITAL

a) Authorized

The authorized share capital consists of an unlimited number of common shares and an unlimited number of First, Second, Third, and Fourth Preferred Shares.

b) Common Shares Issued

	Number	Consideration
Balance, December 31, 1995	105,972	$ 1,168,304
Public share issue	8,000	316,000
Employee stock option plan	1,438	30,681
Share issue expenses, net of deferred income tax of $6 million	–	(7,275)
Balance, December 31, 1996	115,410	1,507,710
Employee stock option plan	812	16,800
Balance, December 31, 1997	116,222	1,524,510
Acquisition of Pinnacle Resources Ltd.	26,954	598,923
Employee stock option plan	442	7,446
Balance, December 31, 1998	**143,618**	**$ 2,130,879**

c) Common Shares Reserved for Issue

Stock options to acquire common shares are granted to professional employees and directors from time to time at exercise prices equal to the market value of the shares at the date of the grant. Stock options issued and outstanding were as follows:

	1998	1997	1996
Balance, January 1	**9,254**	7,888	7,520
Granted	**2,875**	2,647	2,151
Assumed on Pinnacle acquisition	**393**	–	–
Exercised	**(442)**	(812)	(1,438)
Cancelled on – repricing	**(1,140)**	–	–
– terminations	**(390)**	(469)	(345)
Balance, December 31	**10,550**	9,254	7,888
Number of employees and directors holding stock options at December 31	**192**	151	137

On March 23, 1998 the Board of Directors approved the repricing of the exercise prices of all outstanding out-of-the-money stock options subject to:

- The exclusion of all stock options held by directors and officers, and
- The cancellation of certain employee stock options then outstanding.

The average exercise price of the employee stock options subject to repricing was $38.53; after repricing it was $29.14, being the five day weighted average trading price. The number of employee stock options was reduced by 1,140,418; 357,000 of these were cancelled outright and the balance of 783,418 represents the 24% proportionate reduction in the exercise prices.

The stock options vest over a four-year period from the date of the grant and, if unexercised, expire as follows:

Year of Expiry	Number of Stock Options	Weighted Average Exercise Prices	Proceeds If Exercised
1999	728	$ 19.80	$ 14,416
2000	595	$ 13.87	8,258
2001	1,100	$ 20.75	22,827
2002	1,143	$ 29.31	33,499
2003	3,997	$ 27.63	110,434
2004	1,485	$ 30.71	45,600
2005	1,502	$ 36.51	54,835
	10,550	$ 27.48	$ 289,869

8. DEFERRED INCOME TAXES

The provision for deferred income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to income before income taxes. This difference results from the following:

	Year Ended December 31		
(Thousands of dollars)	**1998**	1997	1996
Income (loss) before income taxes	**$ (15,636)**	$ 197,063	$ 291,649
Statutory income tax rate	**44.8%**	44.7%	44.7%
Expected income tax	**(7,005)**	88,087	130,367
Effect on income tax of:			
Excess of statutory resource allowance over non-deductible Crown royalties	**(12,413)**	(13,611)	(26,577)
Non-deductible depletion	**8,467**	1,386	1,520
Non-deductible capital taxes	**3,988**	3,230	2,648
Other	**1,663**	2,608	3,242
Deferred income taxes (recovery)	**$ (5,300)**	$ 81,700	$ 111,200

As at December 31, 1998, the following deductions were available to claim against future taxable income:

	Amount	Maximum Annual Rate of Claim
Canadian exploration expense	$ 724,000	100%
Canadian development expense	463,000	30%
Canadian oil and gas property expense	861,000	10%
Undepreciated capital cost	1,222,000	20 - 30%
	$ 3,270,000	

9. NET INCOME AND CASH FLOW FROM OPERATIONS PER SHARE

	Basic			Fully Diluted		
	1998	1997	1996	**1998**	1997	1996
Net income (loss) per share	**$ (0.08)**	$ 1.00	$ 1.66	**$ (0.08)**	$ 0.98	$ 1.61
Cash flow from operations per share	**$ 2.86**	$ 4.57	$ 5.27	**$ 2.75**	$ 4.33	$ 5.01
Weighted average number of common shares outstanding	**130,134**	115,894	108,651	**139,951**	125,031	117,040
Common shares outstanding at December 31	**143,618**	116,222	115,410	**154,168**	125,476	123,298

The fully diluted cash flow per share calculations account for the possible proceeds from the exercise of stock options and the related imputed interest expense reductions of $13 million, $12 million and $13 million calculated at effective interest rates of 5%, 4.5% and 6.5% for 1998, 1997 and 1996 respectively. These amounts are tax effected using a 45% tax rate to calculate fully diluted net income per share.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While the Company has had a plan in place to address the Year 2000 Issue since 1997, it is not possible to be certain that all aspects of the issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES' GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). These principles, as they pertain to the Company's consolidated financial statements, differ from United States' generally accepted accounting principles ("U.S. GAAP") as follows:

a) The Canadian GAAP ceiling test is comparable to the Securities and Exchange Commission ("SEC") method using constant prices, costs and tax legislation except that the SEC requires the resulting amounts to be discounted at 10%. In addition, the SEC does not require the inclusion of any general and administrative or interest expense in the calculation.

Canadian GAAP requires the test to be performed at least annually whereas the SEC requires the ceiling test to be performed at the end of each quarter. Had the SEC ceiling test been applied, writedowns of property, plant and equipment costs of one billion dollars would have been recorded as additional depreciation and depletion expense for the year.

b) In accordance with U.S. GAAP, the liability method of accounting for income taxes is used instead of the deferral method. Under the liability method, current and deferred income taxes are recognized, at currently enacted rates, to reflect the expected future tax consequences arising from the difference between transactions recorded in the financial statements and those in income tax returns. In addition, purchase price adjustments arising from business combinations are grossed up for the related income tax impact under U.S. GAAP.

c) In accordance with Canadian GAAP, income per share is calculated on a "basic" and on a "fully diluted" basis. Fully diluted income per share incorporates the potential dilutive effect of the stock options outstanding under the stock option plan.

In accordance with U.S. GAAP, income per share is calculated on a "basic" and "diluted" basis. Diluted income per share includes the potential dilutive effect of the outstanding stock options under certain conditions, including a requirement that the option exercise price be below the underlying market price for the shares. At December 31, 1998, 8 million stock options of a total of 10.6 million stock options outstanding were excluded from the calculation of diluted net income per share.

The application of U.S. GAAP would have the following effects on net income as reported:

	1998	1997	1996
Net income (loss) as reported in accordance with Canadian GAAP	**$ (10,336)**	$ 115,363	$ 180,449
Adjustments:			
Depletion, depreciation & site restoration	**(1,000,000)**	–	–
Other	**(1,622)**	–	5,630
Provision for income taxes	**438,786**	(454)	(970)
Net income in accordance with U.S. GAAP	**$ (573,172)**	$ 114,909	$ 185,109
Net income (loss) per share in accordance with U.S. GAAP			
Basic	**$ (4.40)**	$ 0.99	$ 1.70
Diluted	**$ (4.40)**	$ 0.97	$ 1.66
Net income (loss) per share in accordance with Canadian GAAP			
Basic	**$ (0.08)**	$ 1.00	$ 1.66
Fully diluted	**$ (0.08)**	$ 0.98	$ 1.61

The application of U.S. GAAP would have the following effects on the balance sheets as reported:

	Cdn. GAAP	Increase (Decrease)	U.S. GAAP
December 31, 1998			
Property, plant and equipment	**$ 4,622,138**	**$ (859,430)**	**$ 3,762,708**
Deferred income taxes	**$ 421,550**	**$ (302,360)**	**$ 119,190**
Retained earnings	**$ 566,119**	**$ (558,692)**	**$ 7,427**
December 31, 1997			
Deferred income taxes	$ 372,108	$ (4,144)	$ 367,964
Retained earnings	$ 576,455	$ 4,144	$ 580,599

Supplementary Financial Information

OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

The following disclosures are included in accordance with the United States Financial Accounting Standards Board Statement No. 69, "Disclosures about Oil and Gas Producing Activities".

A. Reserve Quantity Information

Crude oil and natural gas reserve estimates are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be recoverable at commercial rates in the future from known oil and natural gas reservoirs under existing economic and operating conditions.

Net reserves are determined by deduction of all interests owned by others, including royalties, and are based upon current royalty regulations. The reserves set forth are the Company's net proved reserves based upon estimates determined by independent and Company engineers.

Proved Developed and Undeveloped Reserves (net of royalties)

	Oil* (mmbls)	Natural Gas (bcf)
December 31, 1995	223	1,080
Discoveries and extensions	43	267
Purchases	17	7
Production	(22)	(124)
Revisions of prior estimates	1	(67)
December 31, 1996	262	1,163
Discoveries and extensions	58	324
Purchases	10	12
Production	(25)	(130)
Revisions of prior estimates	18	124
December 31, 1997	323	1,493
Discoveries and extensions	18	250
Purchases	68	319
Production	(27)	(151)
Revisions of prior estimates	(60)	(122)
December 31, 1998	**322**	**1,789**

* *Crude and natural gas liquids*

Proved Developed Reserves

	Oil* (mmbls)	Natural Gas (bcf)
December 31, 1996	140	546
December 31, 1997	179	722
December 31, 1998	**203**	**1,042**

* *Crude and natural gas liquids*

B. Results of Operations

Year Ended December 31 (millions)		**1998**		1997		1996
Total sales to customers	$	**706**	$	788	$	801
Production expenses		**(226)**		(193)		(152)
Depletion and depreciation		**(388)**		(332)		(280)
Income taxes		**(39)**		(108)		(142)
Results of operations	$	**53**	$	155	$	227

C. Capitalized Costs

Year Ended December 31 (millions)		**1998**		1997		1996
Proved oil and gas properties	$	**6,032**	$	4,359	$	3,410
Unproved oil and gas properties		**485**		389		397
Accumulated depletion and depreciation		**(2,754)**		(1,384)		(1,067)
Net capitalized costs	$	**3,763**	$	3,364	$	2,740

D. Costs Incurred

Year Ended December 31 (millions)		**1998**		1997		1996
Acquisition costs						
Proven properties	$	**67**	$	124	$	109
Unproven properties		**53**		66		107
Exploration costs		**169**		202		211
Development costs		**230**		543		470
Total costs incurred	$	**519**	$	935	$	897

E. Standardized Measure of Discounted Future Net Cash Flows and Changes Therein

In calculating the standardized measure of discounted future net cash flows, year-end constant price and cost assumptions were applied to the Company's estimated annual future production from proven reserves to determine future cash inflows. Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the year-end statutory rate to estimated future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10% discount factor to the estimated future net cash flows.

Management believes that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a ten percent discount rate is arbitrary, and prices change constantly from year-end levels.

Present Value of Estimated Future Net Cash Flows

December 31 (millions)	**1998**	1997	1996
Future cash inflows	**$ 7,798**	$ 8,822	$ 10,993
Future production and development costs	**(3,597)**	(3,603)	(2,729)
Future income taxes	**(497)**	(1,361)	(2,918)
Future net cash flows	**3,704**	3,858	5,346
10% discount factor	**(924)**	(1,148)	(1,642)
Standardized measure	**$ 2,780**	$ 2,710	$ 3,704

Changes in the Standardized Measure of Discounted Future Net Cash Flows

(millions)	**1998**	1997	1996
Standardized measure, beginning of year	**$ 2,710**	$ 3,704	$ 2,059
Changes result from:			
Sales of production, net of royalties and production costs	**(480)**	(598)	(651)
Net change in prices, net of royalties and production costs	**(1,015)**	(2,647)	2,064
Extensions, discoveries and improved recovery, net of related future costs	**280**	577	951
Change in estimated future development costs	**(1)**	(4)	(1)
Development costs incurred during the year	**321**	288	293
Revisions in quantity estimates	**(340)**	249	(134)
Accretion of discount	**314**	529	262
Net change in income tax	**684**	1,157	(1,031)
Purchase of reserves in place	**945**	100	288
Changes in timing and other	**(638)**	(645)	(396)
Standardized measure, end of year	**$ 2,780**	$ 2,710	$ 3,704

Stewardship

CORPORATE GOVERNANCE

Corporate governance leadership originates with Renaissance's Board of Directors, which has been purposely kept small and appoints a minimum of committees. The entire Board is involved in as many issues and decisions as possible. Full disclosure of our corporate governance practices is set out in our current Information Circular.

The Renaissance Board of Directors

- ***Ronald G. Greene*** (Age: 50 years) Chairman. In 1974, Ron founded our predecessor company, Renaissance Resources, which acted as an operator of drilling funds until being rolled into Renaissance Energy in 1982. He served as Chief Executive Officer until 1990, when he stepped aside to become Executive Chairman, a role he held until 1995. Ron is now an independent businessman operating through his ownership of Tortuga Investment Corp.; he resides in Calgary, Alberta. He is also Chairman of the Board of Denbury Resources Inc. and is a director of WestJet Airlines Ltd.

- ***Jonathan H. Deitcher*** (Age: 52 years) has served as a director of Renaissance since 1982. He is a Vice-President and Director of RBC Dominion Securities Inc. and lives in Montreal, Quebec. Jonathan is also a director of Vincor International, Phoenix Pictures and North American Vaccine, Inc.

- ***Brent D. Kinney*** *LL.B* (Age: 56 years) is an international petroleum lawyer with Clyde & Co. in Dubai, United Arab Emirates and was appointed to the Renaissance Board in late 1995. In the early 1990's, he acted as legal advisor to the Minister of Energy, State of Qatar, Arabian Gulf. Brent served as Renaissance's corporate counsel throughout the 1980's while a partner at Burnet, Duckworth & Palmer.

- ***Wilmot L. Matthews*** *C.A.* (Age: 62 years) was Vice-Chairman and Director of Nesbitt Burns Inc. from 1994 to 1996 and held the same position at predecessor company Burns Fry Limited. Wil has been a director of Renaissance since 1980. He is currently an independent businessman and makes his home in Toronto, Ontario. Wil also serves on the boards of Denbury Resources Inc. and WestJet Airlines Ltd.

- ***J. Dean Muncaster*** (Age: 65 years) has been a Renaissance Board member since 1986. He is currently an independent businessman living in Collingwood, Ontario. Most recently, from 1995 to 1999 he served as Chairman of Spill Tech Industries Inc. Dean is also a director of Stelco Inc.

- ***Daryl K. (Doc) Seaman*** *O.C., B.E., LL.B, P.Eng.* (Age: 76 years) is an independent Calgary businessman, heading up Dox Investments Inc. He was appointed to the Board in 1992. Until 1992, he was Chairman of the Board and Chief Executive Officer of Bow Valley Industries Ltd.. Doc is also a director of Abacan Resource Corporation, Potash Corporation of Saskatchewan Inc., Mercantile International Petroleum Inc., Bow Valley Energy Ltd., Encal Energy Ltd., Canadian Chemical Reclaiming Ltd., Far West Mining Ltd., and Tetonka Drilling Inc.

- *Sheldon B. Steeves P.Geol.* (Age: 45 years) joined Renaissance in 1985 as Chief Geologist. His successive roles included Exploration Manager, Vice-President of Exploration and Senior Vice-President. He was appointed Executive Vice President and Chief Operating Officer in January 1997, at which time he joined the Board. Sheldon lives in Calgary.
- *Clayton H. Woitas P.Eng.* (Age: 50 years) is President and Chief Executive Officer of Renaissance and makes his home in Calgary. He joined the company in 1983 as Vice-President of Operations and a director, becoming President and Chief Operating Officer in 1987 and Chief Executive Officer in 1990.

CORPORATE RESPONSIBILITY

People

Renaissance focuses on creating an entrepreneurial environment throughout its organization that challenges staff to be creative and responsive to the opportunities available in its industry. The organizational structure is aligned along geographical lines with appropriate decision making responsibility and authority.

Recognizing that people are our most important asset, compensation programs include competitive salaries and benefits, a company assisted share purchase plan, and a bonus plan based upon corporate and individual performance. In addition, professional staff qualify for our stock option plan, which provides longer term incentives for the enhancement of shareholders' equity. Virtually all employees are shareholders of Renaissance.

Health, Safety and the Environment

Renaissance has made a firm commitment to operate safely, with sensitivity to the environment and the needs of local residents and our employees.

Health and Safety

We are committed to the safety of employees, agents and residents living near our operations. All personnel, whether management, staff or contractors, are responsible for ensuring that operations are performed as safely as possible. Certificates of recognition for contractors are being implemented through Alberta Occupational Health & Safety and Alberta Labour, a program which ensures that all our contractors have health and safety programs. We have also adopted five Alberta and Saskatchewan high schools through an Occupational Health & Safety adopt-a-school program which promotes health and safety prior to the students entering the workforce and provides appropriate safety equipment to the schools.

During 1999, Renaissance is committed to increasing and enhancing safety in all field operations. As field staff grows, continued eduction and training will be required. This will help to maintain our exceptional record of minimal lost time accidents.

Personnel are continuously trained in all aspects of safety. Renaissance has amongst the lowest Workers' Compensation Board and insurance rates in the industry. In 1998, we maintained our exceptional record of minimal lost-time accidents.

Environment

Renaissance's operating practices respond positively to environmental concerns. We adhere to strict environmental standards in all of our operations and play a key role in the development of reclamation criteria for well sites and associated facilities. The latest environmental technology is incorporated in new facilities while older facilities are continually upgraded.

Some of our continuing environmental programs are gathering system and downhole corrosion inhibition to prevent line breaks and prolong the life of pipelines and downhole equipment, innovative new technologies for site reclamation such as huge soil mixers to markedly accelerate the degradation of hydrocarbons using natural bacteria in soil, and a detailed and proactive program of well and facility site abandonment, clean-up and restoration. We employ no-strip or minimum disturbance construction when building the majority of our wellsites, a practice which leaves topsoil intact, and take care to re-seed disturbed areas with compatible species of native prairie grass to maintain the ecosystem.

Regular environmental inspections of all sites and proposed property purchases are performed and detailed environmental plans are produced for all operating areas. We are proud of the fact that our Environmental Protection Plan developed for the Webb area in southwest Saskatchewan is being used by the province to develop criteria for development in critical wildlife areas and environmentally sensitive lands.

Controlling greenhouse gas emissions is something we take seriously in our commitment to remain an efficient, cost effective and responsible producer. We strive to increase the efficiency of our operations by implementing new technologies and new ideas that minimize emissions, increase electrical efficiency and reduce the need for gas consumption in the production process. As a result, we have been able to reduce emissions on a carbon dioxide equivalent basis despite maturing reservoirs and growth in production volumes.

In terms of waste disposal, we have a simple, flexible and workable program which promotes reducing waste wherever possible, reusing products where practicable, and recycling.

In the areas in which we operate, open lines of communication are maintained with residents and local governments to ensure stakeholders are kept informed of any aspect of our operations which may impact them. The company provides advance notice of new plant construction and conducts forums to discuss community issues related to our activities, and also invites residents to periodic open houses at Renaissance facilities.

Community Investment

Renaissance is committed to assist local communities and non-profit organizations in fundraising efforts that enhance the quality of life and make a meaningful difference to the communities in which we operate.

We focus our community investment on social and health issues, education, youth development and conservation. We target geographic areas in the vicinity of our operations.

COMMON SHARE TRADING

The common shares of Renaissance are listed for trading on the Toronto Stock Exchange and the Montreal Exchange, trading under the symbol "RES". At December 31, 1998, Renaissance had the sixth highest relative weight within the oil and gas segment of the TSE 300 Composite Index and ranked 48th overall. Renaissance is included in the TSE 35 index which forms the basis for separate trading of participation units, futures and options, and also the recently activated SPITSE 60 Index.

The following summarizes our trading and share statistics over the last three years:

Common Share Trading Summary

Year ended December 31	**1998**	1997	1996
Trading volume *(thousands)*			
Toronto Stock Exchange	**161,173**	129,425	68,448
Montreal Exchange	**14,208**	12,569	11,430
Total	**175,381**	141,994	79,878
% of average number of shares outstanding	**122%**	122%	69%
Daily average	**696**	563	314
Trading value *(millions)*	**$ 4,091**	$ 5,278	$ 3,098
Share price			
High	**$ 31.70**	$ 50.00	$ 51.00
Low	**$ 15.50**	$ 28.15	$ 32.00
Weighted average	**$ 23.33**	$ 37.17	$ 38.79
Market capitalization			
Shares outstanding *(thousands)*	**143,618**	116,222	115,410
Year-end share price	**$ 17.45**	$ 29.50	$ 46.65
Total *(millions)*	**$ 2,506**	$ 3,429	$ 5,384

The common shares of Renaissance continue to be amongst the most liquid of the oil and natural gas equities traded on the Canadian stock exchanges.

OUTSTANDING SHARES

As at March 22, 1999, there were 143,676,201 common shares outstanding and a further 12,621,378 common shares reserved for the exercise of stock options, for a total of 156,297,579 common shares on a fully diluted basis. Directors and officers of Renaissance owned 2,899,452 common shares representing 2% of the total common shares outstanding; on a fully diluted basis, they owned 8,300,102 common shares or 5.8%. Trimark Investment Management Inc. and Templeton Management Limited controlled 21,294,500 and 17,822,195 common shares respectively representing 14.8% and 12.4% of the total common shares outstanding.

Ten Year Summary

Year ended December 31	1998	1997	1996	1995
FINANCIAL *(millions except per share amounts)*				
Gross revenues	**$ 813**	$ 948	$ 953	$ 603
Cash flow	**$ 372**	$ 530	$ 573	$ 328
Per share (fully diluted)	**$ 2.75**	$ 4.33	$ 5.01	$ 3.30
Net income	**$ (10)**	$ 115	$ 180	$ 63
Per share (fully diluted)	**$ (0.08)**	$ 0.98	$ 1.61	$ 0.66
Capital expenditures	**$ 1,577**	$ 949	$ 913	$ 727
Total assets	**$ 4,691**	$ 3,445	$ 2,839	$ 2,214
Long-term debt	**$ 1,423**	$ 782	$ 414	$ 430
Shareholders' equity	**$ 2,697**	$ 2,101	$ 1,969	$ 1,449
Number of common shares (fully diluted)	**154.2**	125.5	123.3	113.5
Market value per share – high	**$ 31.70**	$ 50.00	$ 51.00	$ 34.25
– low	**$ 15.50**	$ 28.15	$ 32.00	$ 23.25
– close	**$ 17.45**	$ 29.50	$ 46.65	$ 34.00
OPERATING				
Production				
Oil (thousands of barrels)	**32,080**	30,067	26,323	20,840
Per day (barrels)	**87,891**	82,375	71,921	57,097
Average selling price per barrel	**$ 13.68**	$ 20.28	$ 24.69	$ 20.38
Natural gas (billion cubic feet)	**171**	153	139	131
Per day (million cubic feet)	**468**	420	380	358
Average selling price per mcf	**$ 2.19**	$ 2.21	$ 2.18	$ 1.36
Reserves (proven and probable)				
Oil (millions of barrels)	**561**	486	405	322
Natural gas (billion cubic feet)	**2,535**	2,041	1,851	1,597
Net wells drilled – oil	**184**	788	690	585
– natural gas	**302**	385	399	269
– dry	**226**	472	551	534
	712	1,645	1,640	1,388
Net undeveloped land holdings (thousands of acres)	**11,981**	10,759	10,563	9,096
Number of employees – head office	**399**	373	320	290
– field	**392**	341	279	227

1994	1993	1992	1991	1990	1989	10 Year Compound Growth
$ 522	$ 382	$ 266	$ 206	$ 180	$ 131	25%
$ 296	$ 214	$ 137	$ 106	$ 90	$ 68	25%
$ 3.15	$ 2.54	$ 1.84	$ 1.60	$ 1.44	$ 1.11	14%
$ 63	$ 49	$ 25	$ 21	$ 23	$ 18	- 204%
$ 0.70	$ 0.60	$ 0.35	$ 0.32	$ 0.38	$ 0.31	- 195%
$ 761	$ 400	$ 263	$ 225	$ 131	$ 80	28%
$ 1,655	$ 1,049	$ 751	$ 556	$ 413	$ 329	32%
$ 359	$ 168	$ 193	$ 170	$ 124	$ 84	34%
$ 1,049	$ 714	$ 451	$ 311	$ 232	$ 202	31%
100.8	89.9	80.2	70.4	65.6	64.4	9%
$ 32.00	$ 36.00	$ 19.75	$ 17.13	$ 16.50	$ 12.88	13%
$ 26.50	$ 18.25	$ 12.25	$ 11.88	$ 12.00	$ 6.32	11%
$ 27.13	$ 28.25	$ 18.63	$ 13.13	$ 15.75	$ 12.88	14%

15,687	12,441	9,479	6,819	6,068	4,987	23%
42,979	34,086	25,900	18,683	16,625	13,663	
$ 17.55	$ 16.00	$ 16.85	$ 15.80	$ 21.01	$ 17.26	–
132	110	78	64	52	35	23%
362	300	212	176	143	96	
$ 1.87	$ 1.67	$ 1.37	$ 1.28	$ 1.48	$ 1.44	5%
247	165	119	77	54	44	33%
1,325	1,057	961	732	629	527	20%
424	462	276	198	116	100	5%
320	188	154	132	132	99	12%
474	333	261	187	109	89	12%
1,218	983	691	517	357	288	10%
6,066	2,892	2,159	1,908	1,575	1,267	28%
261	210	169	163	142	128	15%
198	161	125	107	92	74	23%

Corporate Directory

DIRECTORS

Ronald G. Greene
Chairman
Independent Businessman
Calgary, Alberta

Clayton H. Woitas
President and Chief Executive Officer
Calgary, Alberta

Jonathan H. Deitcher
Vice President and Director
RBC Dominion Securities Inc.
Montreal, Quebec

Brent D. Kinney
International Petroleum Lawyer
Clyde & Co.
Dubai, UAE

Wilmot L. Matthews
Independent Businessman
Toronto, Ontario

J. Dean Muncaster
Independent Businessman
Collingwood, Ontario

Daryl K. Seaman
Independent Businessman
Calgary, Alberta

Sheldon B. Steeves
Executive Vice President
and Chief Operating Officer
Calgary, Alberta

Members of Board of Directors' Committees

Messrs. Matthews (Chairman), Deitcher and Kinney are members of the Audit Committee.

Messrs. Greene (Chairman), Matthews, Muncaster and Woitas are members of the Compensation Committee.

Messrs. Muncaster (Chairman), Seaman and Woitas are members of the Safety and Environment Committee.

OFFICERS

Clayton H. Woitas, *P. Eng.*
President and Chief Executive Officer

Sheldon B. Steeves, *P. Geol.*
Executive Vice President
and Chief Operating Officer

John A. Thomson, *C.A.*
Senior Vice President and Chief Financial Officer

John A. Curkan
Vice President Marketing

Derek W. Evans, *P. Eng.*
Vice President Operations

Jeffrey S. Lebbert
Vice President Land and Contracts

Richard P. Marshall
Vice President Technical Operations

Douglas A. Proll, *C.A*
Vice President Finance and Treasurer

Terence L. Sharkey
Vice President Drilling and Completions

Roy L. Smitshoek, *P. Eng*
Vice President Corporate Development

Daniel C. Topolinsky, *P. Geol.*
Vice President Exploration

Boyd B. Stuart
Vice President Administration
and Information Systems

Grant A. Zawalsky, *LL.B.*
Secretary

Printed in Canada

AUDITORS

Arthur Andersen LLP

BANKERS

The Toronto-Dominion Bank
Bank of Montreal
Canadian Imperial Bank of Commerce

EVALUATION ENGINEERS

Sproule Associates Limited

LEGAL COUNSEL

Burnet Duckworth & Palmer
Blain & Company

STOCK EXCHANGES

Toronto Stock Exchange
Montreal Exchange
Trading Symbol: **RES**

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e-mail: info@renaissance.ca

SELECTED ABBREVIATIONS

bbls	*barrels*
mbls	*thousand barrels*
mmbls	*million barrels*
bopd	*barrels of oil per day*
mcf	*thousand cubic feet*
mmcf	*million cubic feet*
bcf	*billion cubic feet*
mmcf/d	*million cubic feet per day*
boe	*barrels of oil equivalent*
mboe	*thousand barrels of oil equivalent*
mmboe	*million barrels of oil equivalent*
boe/d	*barrels of oil equivalent per day*
API°	*American Petroleum Institute degrees of specific gravity*

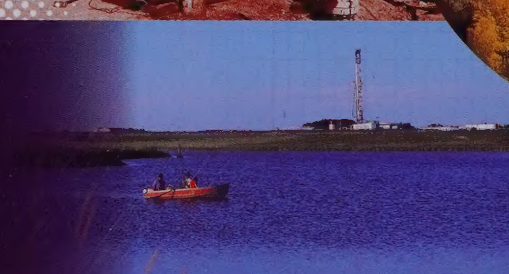
Natural gas is equated to oil on the basis of 10 mcf per barrel of oil.

ADDITIONAL INFORMATION

Additional copies of this 1998 Annual Report, our Annual Information Form, Interim Reports, News Releases and securities filings are available upon request to our head office. You may also e-mail us or visit our website at the appropriate addresses noted adjacent.

Renaissance Energy

1998 ANNUAL REPORT



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